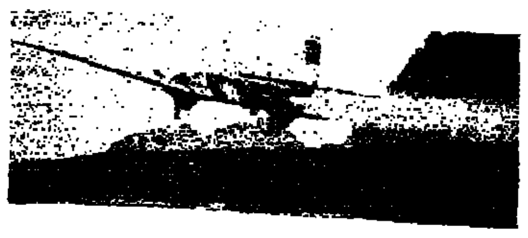

Shetland oil disaster

Who was at fault and how can safety be improved? Page 6

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Job cuts in France

Worst of times for industry and the government Page 12

Price controls in Russia

Chernomyrdin makes his mark on economic policy Page 2

FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY JANUARY 7 1993

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Iraq faces demand to move missiles from no-fly zone

The US and its allies are about to issue an ultimatum to Baghdad demanding the withdrawal of anti-aircraft missiles and radar from the UN-protected zone in southern Iraq. The ultimatum, likely to come jointly from the US, the UK, France and some Arab allies, could set a 48-hour deadline. Pentagon officials said Iraq had been "teasing the line" by flying near or just into the no-fly zone. Page 12; World policeman, Page 3

GE Capital, fast-growing financial services arm of General Electric, is to expand into the wholesale annuity and mutual fund business through the purchase of GNA Corporation for $525m in cash. Page 13

Airtours, UK package holiday company, launched a hostile £221m ($336m) all-share bid for its larger rival, Owners Abroad, in what may prove a substantial challenge to the market leader, Thomson. Page 13; *Background*, Page 18

Traffic figures hurt BA: British Airways shares slid 20 pence to 288p after a veiled profits warning and the release of figures showing the take-up of passenger seats dropping. Page 19

Rudolf Nureyev dies in Paris:

Rudolf Nureyev, 54, one of the century's greatest ballet dancers, died in Paris from "cardiac complications following a devastating illness". It was widely rumoured that the dancer had been suffering from Aids. Siberian-born Nureyev shot to fame alongside Dame Margot Fonteyn in the 1960s after he had defected to the west with a dramatic leap over customs barriers in a Paris airport. In 1989, Nureyev was allowed to visit Leningrad after 28 years in exile where his performance in *Les Sylphides* at the Kirov earned him a 25-minute ovation. Obituary, Page 9

De Beers of South Africa, which controls 80 per cent of world rough diamond trade, saw sales fall by 13 per cent last year to $3.417bn. But shares rose by £1/16 to £8¼ as figures were in line with expectations. Page 13

Opposition names chairman: Japan's main opposition Social Democratic party chose Sadao Yamahana as chairman. Page 4

Kinkel stands as leader: Klaus Kinkel, top civil servant turned foreign minister, finally declared his candidacy for the leadership of Germany's troubled Free Democratic party. Page 12

Cross-border mergers: The global value of cross-border mergers and acquisitions rose by a third in 1992, to $72.6bn, reversing the decline of the previous year. Page 13

Israel arrests 22: Israel tightened its crackdown on Islamic fundamentalists with the arrest of 22 members of Hamas Islamic Resistance whom it alleged were responsible for at least three attacks on troops. Page 4

Russian tobacco plants targeted: Western tobacco multinationals are said to wooing Donskoi Tabak, Russian cigarette plant, for the right to buy shares in the Rostov plant which produces 4.5m cigarettes a day. Page 4

33 killed in Kashmir: At least 33 people, many civilians, were killed and several injured in the Kashmiri town of Sopore in clashes between separatist militants and Indian security forces.

Two shot in Somalia: US troops shot and killed two Somali gunman, one outside Mogadishu and the other in the capital.

Japanese royal wedding: Japan's Crown Prince Naruhito has chosen a cosmopolitan US-educated career diplomat as his bride, the third male in the imperial family to marry a commoner.

New job for debt chief: Mexico's chief debt negotiator for more than a decade, Jose Angel Gurria, is to take over Banco Nacional de Comercio Exterior, state-run export-import bank. Page 3

German aircraft crash: A Lufthansa passenger aircraft with 17 passengers on board crashed short of the runway near Paris's Charles de Gaulle airport. The France-Info radio station said at least one person was killed but there was no immediate official confirmation.

Dizzy Gillespie dies: Jazz trumpeter Dizzy Gillespie, 75, has died of cancer.

■ STOCK MARKET INDICES		
FT-SE 100:	2,826.0	(-7.6)
Yield	4.3	
FT-SE Eurotrack 100	1,091.68	(+1.61)
FT-A All-Share	1,363.86	(-0.1%)
Nikkei	16,782.88	(-59.70)
New York: lunchtime		
Dow Jones Ind Ave	3,299.76	(-8.11)
S&P Composite	433.55	(-0.79)
■ US LUNCHTIME RATES		
Federal Funds:	3⅝%	
3-mo Treas Bills: Yld	3.158%	
Long Bond	103⅜	
Yield	7.338%	
■ LONDON MONEY		
3-mo Interbank	7¼%	(7 1/16%)
Liffe long gilt future:	Mar 101 1/16	(Mar 100 23/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$17.725	(17.75)
■ Gold		
New York Comex (Jan)	$328.7	(328.7)
London	$329.35	(329.15)

■ STERLING		
New York lunchtime:		
$	1.538	
London:		
$	1.542	(1.5455)
DM	2.52	(2.51)
FFr	8.58	(8.57)
SFr	2.2825	(2.27)
Y	193.8	(193.25)
£ Index	81.7	(81.2)
■ DOLLAR		
New York lunchtime:		
DM	1.6376	
FFr	5.58	
SFr	1.4925	
Y	125.115	
London:		
DM	1.6345	(1.625)
FFr	5.57	(5.545)
SFr	1.4865	(1.469)
Y	125.25	(125.05)
$ Index	66.7	(same)
Tokyo close Y 124.84		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25.00	India	Rs40	Neth	Fl 3.75	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr15		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Switz	SFr3.20		
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Syria	S£50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00		

Bundesbank criticised over policy decisions

By Christopher Parkes in Frankfurt

GERMANY lurched into recession partly because the Bundesbank made wrong monetary policy decisions, the DIW institute in Berlin claimed yesterday.

Unless the central bank cuts interest rates quickly, the economy will weaken further until well into this year and the Europe-wide slump will drag on into 1994, it warned.

Continuing decline, underlined yesterday by news that west German industrial output in November was almost 6 per cent down on a year earlier, was unavoidable, the institute said.

The causes lay in pay negotiators' reacting too late to early signs of a slowdown and wrong monetary policy decisions since mid-1992. Last year's wage deals led to a 5.4 per cent increase in west German unit labour costs, according to DIW.

The Bundesbank, which controls German monetary policy, caused widespread dismay in July when it raised its discount rate from 8 per cent to 8.75 per cent. It responded to the European monetary crisis in September with a reduction to 8.25 per cent and a disappointing 0.25 percentage point cut to 9.5 per cent in the internationally sensitive Lombard rate.

The institute's criticism came as Mr Helmut Schlesinger, president of the central bank, repeated that it would be wrong to change tack too soon to help resolve "short-term" economic problems, either in Germany or elsewhere.

Monetary policy had to continue its role as a brake on inflation, he said.

"That task has not yet ended," he told a conference organised by the Norwegian Confederation of Business and Industry.

He could not anticipate a decision to reduce interest rates but claimed that the central bank's "ambitious" new money supply growth targets laid a foundation to allow Germany's economic weakness to be overcome.

There has been growing domestic as well as international pressure on the Bundesbank to cut rates. German industry has been more openly critical of higher interest rates recently. Bonn has made no secret of its desire to see rates reduced, although ministers and officials are anxious not to be seen to put any political pressure on the Bundesbank.

Mr Schlesinger also told the meeting in Oslo that early relaxation would not be good for European monetary integration.

Mr Schlesinger, who has shown himself to be sceptical about plans for monetary union, said the D-Mark's role as an anchor of stability must be maintained.

According to DIW, the Bundesbank must take the lead and allow other European central banks to cut rates. Even rapid and substantial reductions would not now produce benefits until the second half of this year. Even so, more expansive monetary policy was necessary for gradually accelerating recovery. Otherwise, economic problems would continue into 1994.

The institute, one of Germany's five leading economics centres, said it expected gross domestic product in the west to fall 1 per cent this year. Average inflation would remain high at 4 per cent, double the Bundesbank's "stability" target of 2 per cent.

Meanwhile, new industrial production figures added to the mounting gloom. Seasonally adjusted output from west German mining and manufacturing industries in November was 5.8 per cent down on the same month in 1991, the economics ministry reported.

Total production was more than 1 per cent lower than in October, when output was a corrected 2.1 per cent down on September.

FDP's new crown prince, Page 12

Oil tanker owners defend crew

Waves wash over the decks of the stricken oil tanker Braer as its cargo spills into the waters of Quendale Bay in the Shetland Islands

UK government promises an inquiry into accident as action continues to limit slick

By James Buxton in Sumburgh, Scotland

THE COMPANY which operates the Braer, the Liberian-registered tanker which lies wrecked and spilling oil on the coast of Shetland, last night defended the master and crew of the ship against criticism of their handling of the emergency.

Mr Mike Hudner, chief executive of B&H Group, the New York-based operator, said he was "very pleased with the performance of the crew. They did an outstanding job".

He also defended the choice of route for the ship's voyage from Norway to Canada which took it through the 22-mile channel between Sumburgh and Fair Isle at the height of a force 10 storm.

Yesterday, oil poured from the punctured tanks of the Braer as the first stages of a pollution control operation came into effect. Although the wind had subsided since Tuesday, it was still blowing from a westerly direction which has so far confined much of the oil slick to Quendale Bay where the ship lies.

The Braer has shifted slightly since Tuesday and though its stern is underwater with the bow above the water it appears that its back has not been broken. About half the oil on board may have already leaked out, although the emergency team is refusing to give an exact figure.

Mr John MacGregor, transport secretary, said the Marine Accident Investigation Branch would hold an inquiry.

Sir Hector Monro, the Scottish Office environment and agriculture minister, said that Shetland would not be "out of pocket" as a result of the disaster.

Mr Jean Gaulin, chairman and chief executive of Ultramar, the oil company which owns the Braer's 84,000-tonne cargo, said the ship had $700m (£460.5m) of insurance cover which he believed was sufficient to cover the cost of damage caused by the disaster.

Yesterday, five Dakota aircraft of the Transport Department's marine polluiton unit sprayed dispersant chemicals around the ship and on the surrounding oil slick which is between four and five miles long.

But the sea was still too rough to deploy the booms to prevent the oil entering coastal inlets.

Criticism of the crew of the Braer, which has a mixed Greek and Filipino crew under a Greek master, has focused on an apparent delay in the tanker summoning assistance from the Shetland coast guards when it suffered engine failure.

Mr Hudner said that the Braer's communications were "blacked out" when the ship lost some electrical power when its engines failed at 4.40am. It was in touch with the coast guards at 5.05am and ordered a tug at 5.19am.

Mr Hudner said the route the tanker was taking was a normal one. He said: "I expect I'd go that channel again," though he later added that he would "have to think about sending the ship through in that state [of sea]".

He said the master, who was on his first voyage as captain of the Braer, had not been suspended. "We are awaiting the outcome of the official inquiry," he said. "His part was admirable."

Irish overnight rate hoisted to back punt

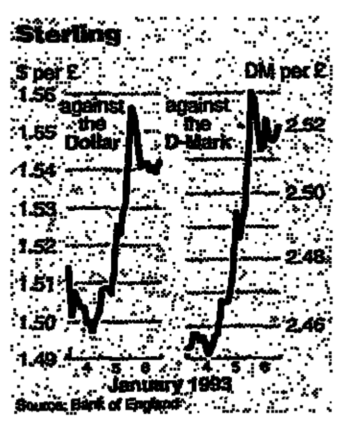
By Tim Coone in Dublin and James Blitz in London

CURRENCY TENSIONS inside the European exchange rate mechanism intensified yesterday after Ireland's central bank was forced to announce a sharp rise in money market interest rates to try to halt selling of the punt.

The Irish authorities announced that the overnight rate for lending punts would be raised from 14 per cent to 50 per cent, effective from today. The move came after the currency fell to its ERM floor against two of the strongest currencies in the system, the Belgian franc and the Dutch guilder.

The Irish authorities continued to pledge that there would be no devaluation of the currency. Mr Bertie Ahern, Ireland's finance minister, said yesterday that he "unequivocally and consistently supported the existing parity of the punt." The announcement of the rise in rates came after official ERM trading had closed at 4pm London time. However, it was not enough to stop the punt trading below its floors against the Belgian franc and Dutch guilder in late trading in London.

By contrast, the French franc appreciated sharply against the D-Mark, following a strong show of determination by the French and German central banks earlier this week to defend the currency's existing ERM parity.



The franc rose by more than a centime against the D-Mark, closing at FFr3.409. French money market rates also eased, with the overnight rate falling to 12¼ per cent from 15 per cent on Tuesday.

Dealers in the French franc and the punt were waiting to see whether the Bundesbank would ease its interest rates at its fortnightly council meeting today.

However, the Bundesbank announced that there would be no press conference following the council meeting, which is some-

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Spanish reserves, Page 2
Lamont's new-year cheer, Page 7
Futures trading, Page 15
Currencies, Page 26

Agreed CS bid for Volksbank completed

By Ian Rodger in Zurich

CS HOLDING, the parent company of Crédit Suisse, is set to become Switzerland's largest banking group in terms of assets following completion of its agreed SFr1.6bn ($1.1bn) bid for Swiss Volksbank.

CS is offering three of its registered shares for each SFr500 nominal capital of the Volksbank, badly hurt in the past couple of years by the severe slump in Swiss property prices and the depressed business climate.

Mr Walter Rüegg, Volksbank chairman, said that trading conditions deteriorated significantly last autumn just after the bank had set a rationalisation strategy, so the board decided the best solution was to seek a strong partner.

Mr Rainer Gut, CS president, said the group was determined to maintain a sufficient presence in its home market and, in particular, a dominant position in the retail sector.

The takeover plan was welcomed by Mr Markus Lusser, president of the Swiss

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CONTENTS

Chirac: fighting talk

Tensions grow between Paris and employers as unemployment total heads for 3m

Rise in jobless may bury French Socialists

By William Dawkins in Paris

THE latest job losses at Peugeot set the scene for increased tensions between employers and a French government desperately seeking to save face before the parliamentary election at the end of March.

The loss of almost 2,600 jobs at the French car maker this week is but the most recent in a grim series of industrial job cuts expected to reach a record 600,000 when the final toll for 1992 is counted. By the first 10 months of last year, the total had reached 436,000, 12 per cent more than the same period in 1991.

Most of the big names in French business have been forced by the economic slowdown to take an axe to their workforces, including Aérospatiale, the aerospace group, Renault Véhicules Industriels, the truck maker, Bull and IBM France in computers and Usinor Sacilor, the steel group.

All this could not have come at a worse time for the administration. The Socialists' inability to turn back unemployment, now just short of 3m, will be the big theme in the election, in which the latest polls indicate the government is set for a thrashing.

The growing army of jobless, 10.4 per cent of the workforce at the latest count, is the one issue that threatens the cross-party consensus on the need to defend the franc and has been marked out by both right and left as the main battleground for the election campaign.

"I think nobody would dream of attacking social achievements," said President François Mitterrand in his traditional new year address, a clear bid to hold the high ground on social policy against an incoming right-wing government.

Mr Jacques Chirac, leader of the RPR Gaullist party, hit back by claiming that social achievements had been "deeply called into question for the past several years," and warned that he would fight to restore the balance.

Both right and left feel uncomfortably short of answers to unemployment, their main political problem, on which fringe parties like the ecologists and National Front have capitalised.

"Companies are making job losses too soon, too fast and too hard," complained Mrs Martine Aubry, the labour minister, on the day of the Peugeot job losses. She inflamed the Patronat employers' organisation by accusing it of being politically biased and calling on it to "speak to companies which abuse the use of job losses". Her plans for increased worksharing, reviewing high social charges and improved training have failed to impress employers.

A related irritant in relations between the state and private industry has been the wrangle over who will bail out the Unedic unemployment pay system. It is jointly funded by employers and unions and designed to pay redundant workers for a period before they receive state benefits, but is nearing bankruptcy partly because of a sharp rise in the number of people coming off state-funded temporary work. Yesterday, Mrs Aubry unwillingly compromised by agreeing to contribute FFr3.25bn (£390m) to Unedic's FFr23bn deficit.

The Patronat, already internally divided over the merits of the government's tough exchange rate policy, is deeply worried over just where the debate over unemployment will lead. Already the Socialists have taken practical steps to clamp down on lay-offs, by passing a law just before Christmas which significantly strengthened the employers' obligation to help redundant workers find new jobs or risk having the job losses overturned by the government.

The Patronat argues that France has almost returned to the rigid old system whereby redundancies had to be cleared by the public authorities, abandoned by the last Gaullist government in 1986. "It is a major step backwards," said one Patronat official yesterday.

Heads of Hungary radio and television resign

By Nicholas Denton in Budapest

THE political dispute over control of Hungary's media came to a head yesterday when the heads of the state television and radio tendered their resignations in protest at government interference.

The two men made a joint announcement conceding their defeat by the conservative government, which has long sought their removal.

The final straws, said Mr Elemer Hankiss, president of Hungarian Television, were parliament's failure last week to pass a new law protecting the independence of the media and the government's recent decision to bring control of state television finances directly under the prime minister's office. "This means that even the illusion of independence has gone," Mr Hankiss said.

The resignations heighten the dispute between the government, the opposition and journalists which has poisoned Hungary's political atmosphere since elections in 1990.

Conservative coalition politicians and Mr Jozsef Antall, the prime minister, repeatedly complain that the bleak picture of the government painted by the media is unwarranted. Right-wing politicians also say many journalists are hostile.

The resignations could lead to a constitutional crisis

The opposition and most journalists claim that the government is overly sensitive to criticism and tends to be authoritarian. The government's opponents also maintain Mr Antall's coalition, which is languishing in opinion polls, is trying to ensure more positive coverage in the run-up to parliamentary elections next year.

Yesterday's resignations could lead to a constitutional crisis if Mr Arpad Goncz, Hungary's president and a member of the opposition Alliance of Free Democrats, becomes involved.

The president and the prime minister have already clashed over appointments of state media executives.

Mr Goncz rejected Mr Antall's nominations on the grounds that they constituted a threat to "the democratic order". The government's response was to label Mr Goncz's actions unconstitutional and threaten to impeach him.

The media heads' departure is linked to the battle for control within the governing Hungarian Democratic Forum between Mr Antall's moderate conservatives and the far-right camp of Mr Istvan Csurka, a leading member of the party.

Dismissal of the media heads was one of the main planks of Mr Csurka's extremist manifesto, alongside vitriolic attacks against Jews, communists, liberals and the Trianon territorial settlement of 1920, when Hungary lost two thirds of its former territory and a third of its population was left outside its new borders.

Mr Csurka followed up his attacks by leading demonstrations to the central television building to demand a purge.

Mr Antall's advisers claim that many of his moves against Mr Hankiss were forced by pressure from the party's strong populist wing. Political attention now turns to the Forum's party congress later this month which will be a test of strength between the prime minister and his extremist challenger.

Banks in appeal over BCCI

THE Association Française des Banques, the body that represents France's banks, is appealing against yesterday's ruling by a Paris court that it must pay FFr400,000 (£46,674) in compensation to each of four clients of BCCI, Alice Rawsthorn reports from Paris

The four clients lost between FFr400,000 and FFr2.6bn when BCCI collapsed two years ago. The AFB had offered to pay them the standard compensation of FFr105,000 offered to other BCCI clients.

More than 70 per cent of the 1,800 BCCI clients in France have already accepted compensation from the AFB.

Frankfurt graves desecrated

Police said yesterday five gravestones in a Jewish cemetery near Frankfurt had been overturned in another expression of anti-Semitism in Germany, Reuter reports.

Neo-Nazis and other right-wing extremists damaged nearly 80 Jewish cemeteries and Holocaust memorials in Germany last year during a wave of xenophobic violence in which an estimated 17 people were killed.

Greece joins wildlife treaty

Greece, accused of tolerating major illegal wildlife trade including ivory and cat furs, yesterday joined a global treaty regulating such commerce, the World Wide Fund for Nature said, Reuter reports. The WWF said Greece became the 117th signatory to the Cites Conventionon International Trade in Endangered Species of Wild Fauna and Flora

One of the world's most important conservation agreements, the convention came into force in 1975.

EC emigrants 'prefer' France

Thirty-five per cent of EC residents are prepared to move to another country within the Community and most would pick France as their adoptive home, according to an opinion poll published yesterday, Reuter reports from Paris.

The survey in the daily Le Parisien newspaper said the highest number of would-be emigrants, 53 per cent, were Dutch, followed by Germans, Britons and Belgians.

Ahern denies plan to abandon defence of punt

By Tim Coone in Dublin

MR Bertie Ahern, the Irish finance minister, denied yesterday that the outgoing government intended to abandon the defence of the punt, saying it would be up to the new administration to review its exchange rate policy. A new Fianna Fail-Labour coalition is expected to be formed next week.

"The present government has unequivocally and consistently supported the existing parity of the Irish pound and has done so simply because it is the best policy for the long term benefit of the Irish economy. . .

"I have argued that since the Maastricht treaty was defeated in the Danish referendum on the 2nd of June."

Mr Ahern said he could not pre-empt or speak on behalf of the incoming government. This would be "entirely wrong".

He said that he had "no reason" to believe that the expected new government of Fianna Fail and the Labour Party would change that policy.

Mr Ruari Quinn, economic spokesman for the Labour party, said last night his party was committed to maintaining the defence of the Irish pound regardless of whether he or Mr Ahern was the next finance minister.

Mr Ahern reiterated that he had been prepared to "hold the line until the end of the year. That has now passed."

If the system did not correct itself, the pressures on industry were something that could not be lived with "indefinitely". However he made it clear that he would be opposed to anyunilateral devaluation.

Mr Albert Reynolds, the prime minister, told parliament on Monday he hoped to be in a position to form a new coalition government by early next week "if budgetary matters can be agreed".

His Fianna Fail party and the Labour party have been negotiating the terms for forming a coalition since the November 25th general election.

No party won an overall majority.

Spanish reserves regain ground after ERM fight

SPAIN'S reserves, which were hard hit in the battle to secure the peseta during the currency turmoil last year, improved by nearly $3bn (£1.9bn) last month to finish the year at $50.4bn, writes Tom Burns in Madrid.

Although Spain holds a relatively large volume of reserves by European standards, the end-of-year figure represented a net fall in 1992 of $15.7bn. This was the first annual drop since 1985.

According to provisional figures released by the Bank of Spain, reserves fell from $71.2bn at the end of August last year to $47.5bn at the end of November.

The peseta was devalued by 5 per cent on September 17 and by a further 6 per cent on November 21.

It now appears to be comfortable at its new parity within the exchange rate mechanism of the EMS.

Swedish economy will improve, says premier

Swedish Prime Minister Carl Bildt said that the country's economic prospects, although gloomy at present, would begin to lighten in 1993, Reuter reports from Stockholm.

"The economic picture now and for some time ahead is almost totally dark. But during 1993 more and more spots of light will appear and gradually the picture will brighten," Mr Bildt said.

His remarks came after the Swedish central bank said it was lowering its marginal lending rate to 10.5 per cent from 11 per cent. The new rate is to apply to its next repurchase operation.

Swedish rates have been coming down gradually since the currency crisis last Autumn when the krona was floated.

Mr Bildt added that his four-party coalition will remain committed to leading the country out of its present economic stagnation.

Cyrus Vance (left), co-chairman of the Yugoslav peace conference, and Serbian President Slobodan Milosevic in Belgrade yesterday

Milosevic backs Bosnia peace plan

By a Special Correspondent in Zagreb and Robert Mauthner in London

MR Cyrus Vance, one of the two international mediators on the former Yugoslavia, met Mr Slobodan Milosevic, Serbia's hardline president, in Belgrade yesterday to persuade him to press Bosnia's Serbs to drop their opposition to peace proposals.

Mr Milosevic, whose co-operation is considered vital for any peace initiative to succeed, said before meeting Mr Vance that he would "support any plan that would bring peace" to Bosnia-Hercegovina.

A spokesman for Mr Vance and Lord Owen, the other co-chairman of the Geneva peace conference, said that, during the meeting, the Serbian president again expressed his willingness to support the peace effort. Lord Owen was due to join Mr Vance in Belgrade before flying to Zagreb for talks with Mr Franjo Tudjman, Croatia's president.

It is not clear, however, whether Mr Radovan Karadzic, leader of the Bosnian Serbs, and his military colleagues would accept a number of crucial constitutional measures in the Vance-Owen plan, even if Mr Milosevic applied pressure on them.

Mr Karadzic, who had talks with Mr Milosevic on Tuesday, was quoted as saying: "We would appreciate any suggestion of Mr Milosevic's, but only if acceptable to us."

At the Geneva negotiations between the warring factions Mr Karadzic rejected the co-chairmen's proposals for an independent, sovereign state of Bosnia-Hercegovina divided into 10 largely autonomous provinces.

Mr Karadzic made it clear that the Bosnian Serbs wanted to create their own independent state within Bosnia, while the co-chairmen have specified that the 10 proposed provinces would have no international legal identity of their own. Mr Vance and Lord Owen have stressed that the international community would not countenance an independent Bosnian Serb state, which would aim to become part of a Greater Serbia.

Meanwhile, Mr Roland Dumas, the French foreign minister, told the cabinet in Paris that the three warring factions in Bosnia had agreed in principle to declare Sarajevo an open city and that forces besieging the capital would withdraw 30km from the city after a ceasefire. Any military agreement, however, depends on acceptance by all parties of a political and constitutional settlement.

Reuter adds from Athens: Mr Dumas has called for international arbitration in a row between Greece and the former Yugoslav republic of Macedonia. Greece has blocked the EC from recognising Macedonia under that name, saying it implied territorial ambitions against its northern province of Macedonia.

Orthodox Christmas offers little cheer

By Susan Linnee, Associated Press, in Sarajevo

A HANDFUL of Serbs gathered yesterday in a Sarajevo church, within range of the heavy guns of their brethren, for a chilly and somber commemoration of Orthodox Christmas that matched the mood of the besieged capital.

Orthodox Christmas is normally a joyous occasion, but there was little to celebrate yesterday. Several miles west of St Michael the Archangel church, venue of the Christmas Mass, 108 elderly citizens huddled in the only heated room of their nursing home.

The building, in the Serb-held suburb of Nedzarici, is under continuous small-arms fire. More than 40 residents have died since October, most of them victims of the war or the bone-numbing cold of a Balkan winter.

The home's social worker, Ms Lydia Groznic, said on Tuesday that 10 had died in the past 36 hours. Their bodies were wrapped in blankets and stored in an empty room. No autopsies were done, but with inside temperatures at -14 degrees Celsius cold appeared the culprit.

Reporters dodged sniper fire yesterday to enter the home. They saw 50 people huddled near wood-burning stoves; one old woman was in a coma while others appeared to be suffering from frostbite. Attempts to talk to the home's supervisor were cut short by armed Serbs who chased the reporters out of the building.

Relief officials have forecast that thousands will die this winter of cold and hunger in Sarajevo and more isolated areas of war-wracked Bosnia.

Temperatures have been as low as -17 degrees Celsius in many Sarajevo homes in recent weeks, and the city has been without electricity since its main power lines were downed in heavy fighting nearly a month ago. The power cut-off has also stopped pumps that supply water for the city's 380,000 residents. Many houses are without window glass or walls.

UN officials also say a pipeline carrying Russian-supplied natural gas is being cut off somewhere in Serb-controlled territory.

The UN High Commissioner for Refugees announced on Tuesday that it was doubling food shipments to Sarajevo to 400 tons a day, but it was unclear whether the agency could make good on the promise.

Chernomyrdin's price controls are deceptive move

The new Russian prime minister has not yet, as many assumed, proved himself an anti-reformer, writes John Lloyd

RUSSIA'S new prime minister raised eyebrows on Tuesday when he announced that price controls would be imposed on a number of basic foodstuffs.

Mr Victor Chernomyrdin, many were tempted to conclude, had begun his career as Russian premier in the conservative manner forecast for him.

However, the announcement was both weaker than it appeared, and is beside the main point of economic reform of this year.

He has not proved himself an anti-reformer yet.

First, the main fear of the government is not rising prices but rising unemployment. People have been (relatively) stoic about prices: they are not expected to be when cast adrift from the enterprises and institutions which had guaranteed them a minimum living and a range of social benefits.

Mr Feodor Prokopov, the head of the Russian employment service, said yesterday in an interview with a Russian newspaper that while the expected high unemployment rates had not emerged in 1992, "I fear that this time our forecasts will become reality: the problem of unemployment might emerge as the most serious facing Russia. In 1993 we predict that there will be 5m unemployed".

Coping with this will be hard: while much had been done in setting up employment centres and training programmes, they are untested: and the minimum dole is very close to absolute want.

However, at the same time, the government must also make sure the process of privatisation of large companies becomes a reality – a matter which, Mr Chernomyrdin agreed in his speech to business people on Tuesday, was at the heart of the reform process.

Mr Anatoly Chubais, the deputy prime minister in charge of privatisation, said on television on Tuesday evening that "based on the experience we already have (with the first large-scale privatisations) we intend to begin, from the middle of January, mass auctions of big companies throughout Russia".

If unemployment and its discontents are not to overwhelm reform, the state – as President Boris Yeltsin said last month in his speech to parliament – must become stronger.

First, it must battle more effectively against crime: figures out yesterday from the interior ministry showed now-familiar but shocking rises, with crime up nearly 30 per cent over the year in Moscow and serious crime up nearly 50 per cent.

Mr Chernomyrdin made a feature of that in his speech, too: but the law and order agencies, so good in the past at repression, have yet to become efficient in crime detection.

It must also develop an efficient tax collection system: as throughout all of the post-communist world, the post-Soviet states have been strapped for cash because they cannot collect it from their citizens and enterprises in conditions of relative economic freedom.

From the first of this month, the tax system has been "remoulded" towards encouraging investment: 50 per cent of company income which is set aside for investment will be freed from tax, and import duties cut on investment goods and abolished on the necessities, such as grain and medicine.

However, the government must also give some concrete signs that it cares. Hence the announcement on price control – though in fact, it amounted only to a slight widening of already existing controls. Mr Chernomyrdin's decree covers bread, macaroni, tea, salt, sugar, milk, butter, meat, children's food and vodka: but these were already controlled where they were produced by monopoly companies (as most were) and are anyway controlled not by absolute price ceilings but by means of a restriction on enterprises profits of between 10 and 25 per cent of sales.

It will not cause prices to fall, according to Mr Vladimir Safonov, deputy head of the Price Commission – but would stop "another jump in prices".

The main cost to the state will be – as it already is – in bread subsidies, running at between Rbs2-3bn a day, in order to keep the breads price at or below Rbs48 a kilo.

Little more can be subsidised unless the budget is bust: and, as Mr Alexander Pochinok, chairman of the parliament's budget committee, noted yesterday, the government has submitted no law on extra subsidies to the parliament and the present budget contains no room for such extra spending.

Mr Pochinok said that estimates of the total budget for this year would be between the astonishingly wide margins of Rbs30,000bn and Rbs50,000bn: he forecast a deficit of between 6 per cent and 7 per cent of gross domestic product by the year end.

Total subsidies planned for 1993 would probably exceed Rbs1,000bn, Mr Pochinok said. Bread subsidies alone would cost between Rbs2bn and Rbs3bn a day.

Russian budget deficits are imprecise matters: but if Mr Chernomyrdin and the cabinet he inherited from Mr Yego Gaidar is to remain in charge of finances, it must be controlled.

This will be the major constraint: Mr Chernomyrdin is in no different position from his predecessor, and so far shows every sign of knowing it.

Chernomyrdin: *not so fast*

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US budget casts Clinton's goal into doubt

By Michael Prowse in Washington

PRESIDENT-ELECT Bill Clinton cannot fulfil his campaign promise of halving the budget deficit within four years without imposing strict controls on popular "entitlement" programmes such as federal health care, according to Mr Richard Darman, the Bush administration's budget director.

On unchanged policies, the budget deficit would not fall substantially below $300bn (£194.8bn) for the foreseeable future, a final skeleton budget from the Bush administration indicated yesterday.

Mr Darman's figures show the deficit rising to $327.3bn this fiscal year, declining modestly to $266.4bn in fiscal 1996 and then rising again to $319.8bn in fiscal 1998.

Mr Clinton's economic advisers privately believe these figures understate the deterioration of the fiscal outlook since last summer, when Mr Clinton put forward his economic plan.

In an introductory note to yesterday's budget, Mr Darman warned that efforts to curb the deficit by stimulating growth were doomed to fail.

In the absence of spending restraint or big tax increases, Mr Clinton's implicit target of a deficit between $130bn and $160bn by fiscal 1996 would require four years of real growth averaging 4.4-4.8 per cent, a "heroic" assumption.

BUDGET DEFICIT PROJECTIONS*

Year	$bn
1992†	290.2
1993	327.3
1994	292.4
1995	272.4
1996	266.4
1997	305.0
1998	319.8

* Assuming unchanged policies † Actual

Mr Darman noted that Mr Clinton had also promised not to raise taxes on people earning less than $200,000 a year and to use any savings from health care cost controls to extend benefits for millions of uninsured workers. Health care savings thus could not be used to cut the deficit. These constraints created "a circle that cannot be squared".

In the absence of tax increases on middle-income families, deficit reduction required a cap on all mandatory "entitlement" programmes, such as health care for the elderly and poor, with most of the savings allocated to deficit reduction.

If increases in mandatory spending were restricted to inflation plus an allowance for population growth, $409bn could be saved over five years and nearly $2,000bn over a decade, according to Mr Darman's figures.

If the same restraints were applied to the rest of the budget (defence plus domestic discretionary spending), the deficit would rise rather than fall because the 1990 budget agreement had already imposed real cuts in spending on these elements of the budget.

In looking for budget savings, there was thus no alternative to tougher controls on mandatory programmes.

Mr Darman's calculations underline the fiscal dilemma the incoming administration faces. It wants to increase federal investment spending sharply without raising taxes on the middle classes. Yet Mr Clinton has so far shown little appetite for curbing popular entitlement programmes.

The two fastest growing are Medicare and Medicaid, the health care programmes for the elderly and poor. According to yesterday's budget, Medicare spending is set to rise from $129.9bn this year to $235.8bn by fiscal 1998, Medicaid from $80.5bn to $156.4bn.

Mr Darman was at pains yesterday to emphasise the strength of the economy the Republicans were handing over. Real GDP had grown for seven straight quarters. Unemployment had fallen for the past five months. Nearly all economic indicators – from consumer confidence and retail sales to industrial production – were up.

The Bush administration's final economic forecast projects 3 per cent real economic growth this year (fourth quarter to fourth quarter), inflation of 3.3 per cent over the same period, and an unemployment rate of 7 per cent by year's end.

The figures are roughly in line with private sector forecasts: the average growth estimate of blue chip private forecasters is for 2.8 per cent this year.

Nothing was so like Bush as his leaving

Acclaim in the world and discord at home mark president's exit, writes Jurek Martin

Hail and farewell: President Bush's last weeks in office included a visit to Somalia (top) and the signing of the Start 2 disarmament treaty with President Boris Yeltsin (above)

Pardon for Mr Weinberger (below) drew storm of protest, and the loss of Mr Baker (above) left policy vacuum

SOME presidents go out with a bang and some with a whimper. In his final days George Bush seems to be managing a bit of both.

On the one side of the ledger, he has authorised military intervention for humanitarian purposes in Somalia, signed the Start 2 treaty in Moscow, given a final push towards concluding a multinational trade agreement and become, at least in words, more active in pursuit of a solution in the former Yugoslavia. He is now also threatening further military action against Iraq.

In most of these moves he has enjoyed the sort of broad bipartisan support at home that characterised the high days of his presidency. Mr Bill Clinton, who takes over in two weeks, has publicly endorsed everything and Mr Bush has repaid the compliment by saying the nicest of things in Moscow and in Paris last weekend about his successor.

On the other side, in the starkest of contrasts, stands the pardon on Christmas Eve of Mr Caspar Weinberger and five others for any charges connected with the Iran-Contra scandals.

That act, and the defensive justification he gave for it, has brought a ton of critical bricks on his head for having short-circuited due legal process, as well as the threat of continued investigation into his own role in the affair even after he leaves office.

Mr Bush was not president during Iran-Contra. But there are legacies of his term, such as the courting of Iraq and the improper searches into Mr Clinton's passport records, which have the capacity to haunt him in the future and which, in part of the public mind, serve to offset whatever warmth may be due him for having done the "right" things in the last two months.

Previous presidents have behaved variously in their final days. On the reflective side, Mr Dwight Eisenhower, who came to the office from the army, surprised many with his valedictory warnings about the dangerous growth of a military-industrial complex in the US. Mr Jimmy Carter spoke, more predictably, about the risks of nuclear proliferation.

Mr Lyndon Johnson's last act, however, seemed to some more vindictive as he had his administration bring a massive anti-trust suit against International Business Machines, which consumed US courts for a decade to come.

Mr Ronald Reagan and Mr Gerald Ford faded on to the speaking circuit and the golf course respectively, though Mr Ford had begun office with the pardon of President Richard Nixon for any Watergate crimes. Mr Nixon, consumed by Watergate, never had the time for final thoughts or action from the White House, though his subsequent reflections have been voluminous.

Mr Bush, a self-confessed unreflective man, has not so far tied together the activity of his concluding weeks in any thematic way. Two speeches, in Texas last month and at West Point on Tuesday, were no more than recitations of the changes that had taken place in the world on his watch and some very generalised thoughts on the use of force.

Indeed the common thread of the transitional activity is not easy to find. Actions such as the Start 2 treaty and the continuing Uruguay Round talks mostly represent a continuation of policies long in train, though – especially in trade – not always firmly on track. Both constitute the "old" way of doing things, albeit, in the case of Moscow, with different partners. Yet both Mr Mikhail Gorbachev and Mr Boris Yeltsin had their own good reasons for pushing arms control and were active suitors of the president in three arms agreements.

The Somali initiative and the harder verbal line on Bosnia were, in effect, born after Mr Bush had lost the election and the constant and generally cautious advice of Mr James Baker. Both can be said to have been created in a policy and political vacuum, certainly influenced but not necessarily critically, by the wave of publicity that the plights of both countries were exciting.

Mr Bush has also had to be careful not to tie Mr Clinton's hands with commitments at which the next administration might balk. But he seems to have sensed that his successor is likely to be active in foreign policy, though not necessarily always interventionist, in areas such as humanitarian policies that were never accorded the highest priority in his own government.

Mr Clinton could return the favours by calling the government investigative hounds off Mr Bush's trail, much as Mr Ford sought to calm the country by pardoning Mr Nixon. The difference is that neither Iran-Contra, nor Iraqgate, nor any other attendant matter has quite reached the critical mass that was Watergate: equally, no matter how charitable his inclinations, Mr Clinton might not want to start his brave new administration by appearing to condone secretive and possibly illegal practices in the one just past.

So Mr Bush goes out no longer feeling disconnected and with the international strings playing sweet and fond farewells but the domestic bass section rumbling in discord. This was the story of his presidency anyway.

How to lead the world without becoming its policeman

George Graham on the US dilemma in a new world order

THE FALL of the Berlin Wall may have ushered in a "new world order", but the international community has not yet worked out how to meet its challenges.

For the US these are principally to do with when and how the world's only remaining superpower should use its military might around the world.

Academics, diplomats and lawyers have been preoccupied by the issue since the end of the Cold War removed some of the certainties from international relationships.

With US troops now patrolling the streets of Mogadishu, and with the suffering people of Sarajevo on US television screens every day, it is an issue that is also engaging American public opinion.

President George Bush will have disappointed those who were looking to his farewell speech at the West Point military academy on Tuesday for a cogent articulation of his "new world order".

Arguing that the US must be the world's leader, but not its policeman, the outgoing president said the relative importance of America's interests could not determine when military force should be used, and warned that there could be no easy formula for making this determination.

"Anyone looking for scientific certitude is in for a disappointment. In the complex new world we are entering, there can be no single or simple set of fixed rules for using force," Mr Bush said.

General Colin Powell, chairman of the Joint Chiefs of Staff, agrees.

"Having a fixed set of rules for how you will go to war is like saying you are always going to use the elevator in the event of fire in your apartment building," he wrote in a recent article in the journal Foreign Affairs.

Few, in fact, argue for such a set of conditions to be rigorously met before US military forces should be engaged – although some right-wing intellectuals, such as Mr Andrew Cowin of the Heritage Foundation, a conservative think tank, warn ferociously against letting the United Nations lure the US into "military entanglements where Americans have no interests at stake".

Mr Casper Weinberger, defence secretary under President Ronald Reagan, spelt out in 1984 a set of six tests for the use of military force:

- The occasion must be vital to US interests.
- There must be a "clear intention of winning".
- Political and military objectives must be clearly defined.
- The operation must be continually reassessed and adjusted.
- Popular and congressional support must be assured.
- Force must be a last resort.

But Mr Weinberger himself says he never used the tests as an inflexible checklist.

"I didn't start with a pad of paper and check them off one after another, but I certainly referred to them," he says.

Today, when conflicts inviting possible US intervention are likely to be regional in nature or even intra-state, the decision may be more blurred.

The decades-long struggle against the Soviet Union provided the US with an invitation to virtually any conflict around the world, because of its interest in combating communism wherever it arose; but it also provided a curb, because of the chilling threat that any local conflict could escalate into a more global war.

Neither Somalia nor Bosnia, however, would pass all of Mr Weinberger's tests without argument – although he himself favours intervention in both cases, and argues for a general US interest in making it clear that aggression will not be allowed to go unpunished.

Nor does either case, or the protective zone established in Iraqi Kurdistan, fit easily into the framework of international legal opinion – principally based on the UN charter – whose balance between the competing claims of national sovereignty and human suffering has been gradually shifting.

Mr Richard Gardner, formerly a senior US diplomat and now professor of international law at Columbia Law School in New York, notes that few international lawyers would assert a unilateral right to intervene militarily in another country for the purpose of correcting human rights abuses.

"The Security Council is more likely than it was before to deal with mass repression when it can reasonably find a threat to 'international peace and security'.... What the members of the Security Council will not do is authorise military intervention in a country on human rights grounds alone," he writes in a recent paper for the Institute for Strategic Studies.

China, but also India and some African and Latin American countries – and, for that matter, the UK – are particularly sensitive about setting precedents for outside interference in their domestic affairs on human rights grounds, whether it be in Tibet or Northern Ireland.

Some lawyers and diplomats, however, are looking for a framework that would authorise swifter and more pre-emptive action.

Even where the political will and legal justification for intervention exist, US military leaders, with the lessons of the Vietnam War reinforced in their minds by the bombing of the US Marines barracks in Beirut, remain chary of committing their troops in any conflict where they cannot be assured of a quick and crushing victory – as they were in the Gulf War.

The Pentagon's doubts over the wisdom of commiting ground troops to Bosnia have been shared by Mr Lawrence Eagleburger, the secretary of state.

"It's again what got us into Vietnam. You do a little bit and it doesn't work ... what do you do next?" he said last year.

But Mr Les Aspin, chairman of the House of Representatives armed services committee and Mr Clinton's nominee to be secretary of defence, argues that the balance has tilted against this "all or nothing" school.

This shift has come, he says, because the collapse of the Soviet Union has "removed some of the pressure for escalation that accompanies any limited military venture", but also because technological advances such as Stealth aircraft and precision-guided bombs have made it possible to make effective air strikes with little loss of life either on the US side or among the enemy's civilian population.

But General Powell says that "when the 'surgery' is over and the desired result is not obtained, a new set of experts then comes forward with talk of just a little escalation".

Military officers also warn that without forces on the ground to verify strikes you run the risk that a bombed weapons factory can be transformed into a children's hospital before the first television camera has arrived.

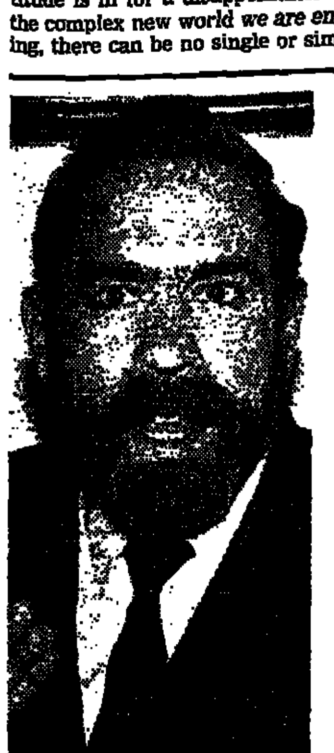
But the Pentagon has been hoist by its own petard: after letting the public believe during Operation Desert Storm that they could drop a smart bomb down a chimney pipe or make a cruise missile turn right at the traffic lights, the generals are not believed when they say they cannot be sure to hit a mortar battery on a Bosnian hillside.

Mr Aspin cautions that with the decline of the Soviet threat, US public opinion may not tolerate paying $250bn or even $200bn a year for a military that is not very useful.

"It may be that to maintain a military for the extreme contingencies, it will be necessary to show that it is useful in lesser contingencies," he cautions.

But US public opinion will also depend on the success or failure of military intervention in Somalia and, perhaps in the months to come, in Bosnia: if either turns into a Vietnam, or a Beirut, it would do more to shape America's will to exert its might around the world than any presidential speech.

New job for Mexican debt chief



Mr Gurria (left) has new task of helping to boost exports

By Damian Fraser in Mexico City

MEXICO'S chief debt negotiator for more than a decade, Mr Jose Angel Gurria, is leaving the finance ministry where he is under-minister for international finance. He will take over Banco Nacional de Comercio Exterior (Bancomext), the state-run export-import bank.

Known for his good humour, and outstanding sales talk, Mr Gurria will be missed on the international finance circuit.

He was co-ordinator of Mexico's external debt in 1979, when the country was borrowing money from any bank that would lend, and was still in the job (with a progressively more senior title) when Mexico defaulted on its debt in 1982, reached agreement with its creditors in 1989, and resumed borrowing in the 1990s.

His transfer to Bancomext is technically a promotion. He will be given a remit to expand its role, in line with the government's desire to boost exports from medium and small companies.

His functions will be taken over by Mr Guillermo Ortiz, the finance ministry's principal under-minister.

The international finance under-ministry is being wound up, a decision that reflects to an extent the end of debt as an issue for Mexico. Its net debt-to-GDP ratio is now about 29 per cent of GDP, against 82 per cent in 1988.

Mr Gurria's move marks the end of a series of ministerial changes that are likely to be the last significant ones of President Carlos Salinas's administration. On Monday the president replaced Mr Fernando Gutierrez Barrios as interior minister with Mr Patrocinio Gonzalez Garrido, governor of Chiapas, and Mr Ignacio Morales Lechuga, the attorney-general, with the president of the National Human Rights Commission, Mr Jorge Carpizo.

This latter appointment has been well received by human rights groups inside and outside Mexico, and may have been intended to deflect criticisms of the country's human rights record in hearings on the proposed North American Free Trade Agreement.

By contrast, Mr Gonzalez Garrido has a reputation as a tough governor. His appointment may thus signify a change in policy at the interior ministry, which, under Mr Gutierrez Barrios, has favoured negotiation with opposition groups.

Mr Gonzalez Garrido is not considered a likely presidential candidate, and the president may have decided to put him, rather than a better known politician in the post, to ensure the all-important interior ministry is free to make tough decisions in the run-up to next year's presidential election.

- Mexico's economy grew by 2.8 per cent last year, Mr Pedro Aspe, finance minister, said yesterday. This was a little higher than the most recent official forecast but well short of the government's original hopes. He expected growth of around 3 per cent this year.

Menem reiterates Falklands claim

By John Barham in Buenos Aires

WITHIN minutes of British Foreign Secretary Douglas Hurd's arrival in Argentina yesterday President Carlos Menem reiterated strongly his country's claim to the disputed Falkland Islands.

Mr Menem said on TV that "before the year 2000, Argentina" would be "setting foot on the Falklands, without any type of conflict."

Mr Hurd, who is to meet Mr Menem today, repeated at Buenos Aires airport Britain's refusal to discuss sovereignty of the Falklands, over which the UK fought a 1982 war. "We have no doubt of our position, so what we have to do is build on progress already made."

Mr Hurd said his visit will further consolidate relations with Argentina, with which Britain resumed diplomatic links three years ago. The two have reached temporary fishing agreements in the South Atlantic and on military confidence-building measures.

One of Argentina's most cherished foreign policy objectives is to assume a more prominent role in international affairs. Mr Menem and Mr Guido di Tella, foreign minister, will hope Mr Hurd can help them advance this goal. However, frequent reiterations of Argentina's claim to the islands has not advanced Mr Menem's aim to make an official visit to the UK.

Peruvian economy minister sacked

By Sally Bowen in Lima and Stephen Fidler in London

THE SURPRISE removal this week of Mr Carlos Boloña as Peruvian economy minister suggests significant changes in the austere economic stabilisation programme he has masterminded for almost two years.

President Fujimori chose to remove Mr Boloña from his post when the entire current cabinet, as is traditional at year's end, placed their jobs at his disposition.

Differences had been growing between Mr Fujimori and Mr Boloña over the economic programme. Mr Fujimori personally intervened in mid-December with Mr Michel Camdessus, the managing director of the International Monetary Fund, pleading for greater flexibility and international understanding of Peru's economic plight. He has also delayed signing an IMF loan agreement which Mr Boloña spent two months negotiating.

President Fujimori is thought to be seeking to cut 1993 external debt payments in order to raise domestic spending on alleviating poverty while raising public investment and job creation.

In his resignation letter, however, Mr Boloña makes clear his opposition to what he calls "government with an eye on opinion polls and short-term popularity." He said he has come under repeated pressure to print money, to concede subsidies and privileges to economic interest groups and to use Peru's international reserves to finance private and public sector credit.

Mr Boloña's economic fundamentalism has made him enemies – not least in the military, an important influence on Mr Fujimori. Businessmen, wanting a more growth-oriented policy, also joined the ranks of his opponents.

The minister was known to have been unhappy with Mr Fujimori's April 5 institutional coup, when Congress was dissolved and the constitution suspended. But he decided to stay on "to maintain the viability of the economic programme and contribute to a return to democratic institutionality." Now the latter objective has been achieved – through Congressional elections in November – his fear, he says, is that the former may "remain half way down the road."

Oxford-educated Mr Boloña was responsible for a frontal attack on the hyperinflation inherited from the spendthrift Alan Garcia regime. Last year's 57 per cent rise in consumer prices compared with 7,650 per cent two years earlier. The cost last year was negative growth of 3 per cent.

Under Mr Boloña, Peru experienced a remarkable transition from statism to a free market economy. Tariff barriers fell, provoking an avalanche of imports. Customs practices were simplified, transport deregulated and the bloated state bureaucracy sharply cut back.

Mr Boloña also orchestrated Peru's new relationship with the international financial community. Quarterly financial targets agreed with the IMF have largely been met, and in some cases exceeded, and the government kept its promises on reduced debt payments to foreign creditors.

However, plans to pay off arrears with international financial institutions next month and to negotiate debt reschedulings with bank and government creditors – temporarily derailed by the April coup – will be called into question by Mr Boloña's departure.

According to the plan, the US and Japan were to provide a short-term bridging loan in February to pay off $850m (£550m) in arrears to the IMF, which would then be free to lend up to $1.5bn through an extended fund facility. More than $900m in arrears to the World Bank would be cleared by a similar commercial bank bridging loan led by Citibank. This would then free $1bn of World Bank loans to pay back the loan.

In the next three months Peru faces important negotiations with the Paris Club over relief of a total debt of $7bn. A new "support group" of friendly countries must be formed to help cover a projected $1bn balance of payments deficit this year, and talks are also due with commercial banks in New York. But pleasing the multilateral organisations abroad dented Mr Boloña's – and hence Mr Fujimori's – popularity at home. Accusations of a lack of "social sensitivity" have increasingly surrounded monthly payments of around $60m to international creditors while less than that was spent in a full year on alleviating grinding domestic poverty.

NEWS: INTERNATIONAL

Israel arrests 22 Hamas militants

By Hugh Carnegy in Jerusalem

ISRAEL, tightening its crackdown on Islamic fundamentalists in the occupied territories, said yesterday it had arrested 22 members of an armed guerrilla group and warned that a United Nations envoy due in Jerusalem today would not achieve the return of 415 Palestinians expelled to Lebanon last month.

The army said the detained suspects belonged to the Qassam military wing of the Hamas Islamic Resistance Movement and were responsible for at least three attacks last year on troops in the town of Hebron in which one soldier was killed. It said two more members of the group had been among those expelled and presented the arrests as a significant breakthrough against Qassam, whose mounting record of armed attacks on the security forces precipitated the expulsions on December 17.

But the army admitted it had not yet caught those responsible for six fatal shootings in December – including the man it described as the commander of Qassam.

Mr Yitzhak Rabin, prime minister, meanwhile held out little prospect of success for Mr Chinmaya Gharekhan, a senior envoy of Mr Boutros Boutros Ghali, UN secretary general, who will today attempt to find a resolution to the expulsion issue which threatens Middle East peace negotiations.

"Boutros Ghali asked to send an envoy. I agreed. It does not change even one bit my decisive position that the 415 temporarily expelled will not return to Israel before the end of their term," Mr Rabin said.

● Mr Rabin's office said yesterday that no talks had been held outside the Washington Middle East peace framework, after the Jerusalem Post reported that Israel and Syria had held secret talks in Europe within the past two weeks, but that an Israeli attempt to find a breakthrough in negotiations over the Israeli-occupied Golan Heights had come to nothing.

Washday in Mogadishu: a Somali woman launders uniforms of the US-led forces. In the Ethiopian capital Addis Ababa, Somalia's warring factions tentatively agreed to hold a reconciliation conference in April, but discord about the way forward persisted.

Yamahana to chair Japanese opposition

By Robert Thomson in Tokyo

THE Social Democratic party, Japan's largest opposition party, yesterday chose Mr Sadao Yamahana as its new chairman, prompting criticism from the party's younger members who think him incapable of introducing much needed reforms.

Mr Yamahana, 56, vowed to change "my party and the political system", but similar promises were made by his ineffective predecessor, Mr Makoto Tanabe, who resigned after criticism that he did not attack the failings of the ruling Liberal Democratic party.

Younger party members had hoped for a more radical appointment, and some left-wing officials had wanted Ms Takako Doi to return to the post she vacated for Mr Tanabe after admitting that she, too, had failed to make the party a genuine alternative to the LDP.

The SDPJ, formerly the Japan Socialist party, has been unable to capitalise on the scandals afflicting the LDP, even though Mr Kiichi Miyazawa, the prime minister, has a popularity rating of only 14 per cent.

Mr Yamahana is said to be from the party's "soft left" and agrees with plans to reform unpopular policies, such as denying the existence of the defence forces and supporting the North Korean regime of Kim Il Sung. He is also in favour of developing a coherent economic policy in the hope of reassuring voters that the party could lead the country out of recession.

However, for the past year, Mr Yamahana has been secretary general, the party's number two post, and there was little sign that he was spearheading a reform programme debated and deferred for more than a decade.

On hearing of Mr Yamahana's elevation, Mr Miyazawa noted his opponent's oratorical skills and suggested that he has taken on a heavy responsibility. Other opposition party leaders said the new chairman must work with them against the LDP, but there was a sense that his appointment will not mark an important turning point for the SDPJ.

Strong criticism from within the party suggests that Mr Yamahana, apparently chosen because it was the turn of the left-wing after the right-wing rule of Mr Tanabe, will have difficulty in introducing policy changes.

Mr Shigeru Ito, the SDPJ vice-chairman, said his party has is in desperate need of a "big strategy" to win the confidence of voters.

If the party is not reformed, there is a possibility of impatient younger members breaking away to form an alliance with one of the smaller opposition parties or even with a splinter group from the LDP.

Australian unions to fight cuts

AUSTRALIAN trade unions yesterday forecast an industrial battle in Victoria after the conservative state government announced plans to make 8,500 transport workers redundant over the next three years, writes Kevin Brown in Sydney.

Mr Alan Brown, the Victorian transport minister, said the redundancies were essential to reduce losses of more than A$2bn (£900m) a year in "Australia's worst performing government-owned business enterprise".

Mr Brown said the shake-up would also include cuts in night-time transport, replacement of many tram and train services with buses, and widespread use of private contractors. The government claimed the proposals would save taxpayers A$250m a year.

The Victorian trades council, which groups most trade unions in the state, said it would fight to maintain services and jobs.

Prosperity, as much as peace, eludes Cambodia

Victor Mallet on attempts to manage the economy

AS IF they did not have enough on their hands, United Nations peacekeepers in Cambodia have begun the thankless task of supervising the country's shattered economy.

Among the first economic measures taken by the UN Transitional Authority in Cambodia (Untac) are moves to control the national budget deficit and to reduce government corruption.

Cambodia faces accelerating inflation – consumer prices in Phnom Penh rose 284 per cent between January and November 1992, according to Untac figures – and the country has experienced such a rapid decline in the value of the riel, the local currency, that many prices are quoted in dollars.

Although some of the inflation has been blamed on Untac's own heavy demand for services in the capital, the principal problem is that the Vietnamese-installed government has been printing money to plug its budget deficit.

This view was endorsed on Monday in a report from the UN's economic directorate, which said Untac money has had a largely positive impact on economic growth.

Even with public investment and maintenance spending cut back to what the World Bank calls "negligible levels" (roads, hospitals, power supplies and telecommunications are in a parlous state) more than 45 per cent of government spending budgeted for 1992 was unfunded.

Deprived of Soviet aid since the collapse of the Soviet Union, and reduced to the status of one of the four Cambodian factions by the peace accords signed in Paris a year ago, the lame duck administration of Mr Hun Sen, the prime minister, has been struggling to pay soldiers, teachers and doctors. Often it pays them late. Government officials, meanwhile, have enriched themselves by selling state property to speculators and pocketing the proceeds.

Untac, aware that spending can hardly be cut further, has prodded the administration into increasing its revenues. A 10 per cent tax was imposed on hotel room charges in October, and customs tariffs, which have lagged behind inflation, are being brought into line with the real market value of imports.

Corruption is also being targeted by UN officials sent to monitor various ministries, the central bank and local authorities. "Now that we are inside and looking at the finances very closely we see a lot of corruption cases, involving tens of thousands of dollars, hundreds of thousands in some cases," says one UN official. Some government officials have been fired.

Corruption and prostitution in Phnom Penh have given rise to a widely-held theory that destitute, resentful peasants in the countryside will feel so outraged by the goings-on in the capital that they will start to support the puritanical Khmer Rouge, despite its reputation for having killed a million Cambodians when it ruled the country between 1975 and 1978.

The reality is more complicated. Most of the inhabitants of Phnom Penh are themselves first-generation city dwellers rather than urban sophisticates. And Cambodian peasants – like peasants throughout the developing world – are more likely to want to join the migration to urban areas than to despise the cities from afar.

Anecdotal evidence suggests that economic revival is not confined to Phnom Penh. Throughout the country, people can be seen repairing their houses and Buddhist temples. Meat and rice and imported beer seem plentiful. There is even a video rental shop in the central town of Kompong Thom, in a province hotly contested by the government and the Khmer Rouge.

It is true that most investment by foreign companies and Cambodians of ethnic Chinese origin has been in service industries such as hotels, mobile telephones and banking rather than industry, but that is neither surprising nor necessarily undesirable in a country with such a potential for tourism. There are small industrial investments from Hong Kong, Thailand, Malaysia and elsewhere, including a textile factory, a bakery, the renovation of the brewery in Sihanoukville, now producing Cambodian beer, and the rehabilitation of a tobacco processing factory.

Returning Cambodians, says one banker in Phnom Penh, "are voting with their cash in as much as they are renovating properties, buying properties and starting small businesses".

Cambodia's economic prospects have also been boosted by the sympathetic attentions of the World Bank (which is planning a $75m emergency rehabilitation loan), the International Monetary Fund (donors are likely to arrange payment of $50m in Cambodian arrears to the IMF to allow renewed IMF programmes in the country) and the Asian Development Bank (which is to disburse a $68m loan for rehabilitation).

But neither World Bank programmes nor higher customs tariffs can provide what Cambodians really need if they are to enjoy sustained economic growth: peace.

So far, with the Khmer Rouge refusing to disarm or take part in the election scheduled for May, the UN is not succeeding in its principal task of bringing peace and democracy to Cambodia. Until it does, economic progress and the confidence of investors will be undermined by exceptionally high political risk.

THE United Nations will consider a demand by the Phnom Penh government that the Khmer Rouge be expelled from the Cambodian peace process, a UN official said yesterday, but he played down the possibility that the radical guerrilla group would be isolated. Reuter reports from Phnom Penh.

An ultimatum by the Phnom Penh government had been passed to UN in New York. ments.... But "our position has always been to keep the door open," the spokesman said.

NEWS: WORLD TRADE

West targets Russia's tobacco plants

By John Lloyd in Moscow

DONSKOI Tabak, the Russian cigarette plant at Rostov, is being wooed by the west's tobacco multinationals.

The Interfax news agency reported earlier this week that BAT will "take part in a competition for the right to buy shares" in the plant, probably later this month.

Interfax quotes Donskoi Tabak's general director, Mr Yevgeny Balala, as saying that "several Swiss and American companies" have now expressed interest in the 4.5m cigarette-a-day plant.

BAT would not confirm the story, but did confirm that the three tobacco majors – BAT, RJ Reynolds and Philip Morris – are "head to head in investment terms" in the former Soviet Union.

It is a potential bonanza: a market estimated at between 400 – 700bn cigarettes a year and an unsatisfied craving for American tobacco has meant that they, even more avidly than the energy companies and with greater success so far, are scrambling to position themselves for future market growth.

Furthermore, the Russian government's move to large-scale privatisation at the end of last year – expected to be greatly extended later this month – means that the foreign companies have a new way of buying in, other than concluding joint ventures.

They can now bid for shares in the company at open auctions in competition with Russians – a method which, according to Interfax, BAT has already discussed with the Donskoi management at meetings last month.

Of the three, Philip Morris, with its Marlboro brand, is the best known. It came in on the ground floor in Russia in 1990 (it had small production agreements before) with the request by the then Soviet government to import 20bn cigarettes immediately to satisfy a cigarette famine which caused more riots in that year than any other event.

Philip Morris had built on that entrée and now has firm projects which include a stake in a joint venture called Constellation in Samara involving the city's main tobacco factory, where Marlboro will be produced under licence.

It also has a prospective stake in the cigarette plant in Krasnodar, which is about to be privatised.

This has a capacity of 6bn cigarettes a year and will produce Marlboro and other Philip Morris and local brands; and an agreement to construct a 10bn-cigarettes-a-year capacity plant near St Petersburg, also for Marlboro.

The company says it has no overall figure for investment, but says that the cost of the St Petersburg plant in the west would be around $100m (£64.7m). "We are in for the long term," says Philip Morris's Michael Parsons, "and the investment will be significant".

BAT has been the later runner of the big three: but towards the end of last year, it signed a joint venture in Ukraine, with two plants at Priluki and Cherkassy, both south of Kiev, and is in an advanced stage of negotiations with the Java plant in Moscow. Sir Patrick Sheehy, chairman of BAT, said in Moscow in November that "the investments we are making are essentially long term. . . we do not expect to be making profits for at least 10 years."

RJ Reynolds, part of RJR Nabisco, last year acquired a controlling stake in the largest cigarette plant in St Petersburg, AS Petro – now renamed RJR-Petro.

The plant produces some 22bn cigarettes year – all local brands – the RJR brand leader, Camel, nor any of its other brands, is not produced – allowing it to claim the biggest output of the big three in Russia.

It also claims to dominate Ukraine, with majority stakes in plants in Lvov and Kremenchug, with a combined capacity of around 20bn cigarettes a year – again, all local brands.

This gives RJR around 25 per cent of the Ukraine cigarette market.

Rabin rails against EC over terms of trade

By Hugh Carnegy in Jerusalem

MR Yitzhak Rabin, the Israeli prime minister, yesterday accused the European Community of trade discrimination in a sharp attack on Brussels that stood in stark contrast to the friendly tone which characterised relations after he came to power last July.

Speaking at a conference in Tel Aviv on high-tech industry, Mr Rabin bitterly criticised the imbalance in Israel-EC trade in which Israeli exports to the Community in 1991 were worth only half of the $9bn (£5.8bn) imported from EC members.

"(This was) not because Israel cannot compete in the European markets but because in Europe there is high talk of a free economy, of a free market economy, but when it comes to Israel there is discrimination," Mr Rabin said.

The EC welcomed the advent of Mr Rabin's Labour-led government. It rewarded Labour's pledge to abandon the former Likud administration's uncompromising stance in Middle East peace talks by agreeing to speed talks on enhancing Israel's 1975 co-operation accord with the EC to possible inclusion in the European Economic Area.

But Mr Rabin appeared to have been angered by EC reaction to the expulsion last month of 415 Palestinians to Lebanon, including a delay of further talks on a new agreement. He said the 1975 accord was "old and distorted" and "does not give us conditions of equal competition with East Europe and North Africa."

"It is time for Europe to change this because Israel too has the possibility to buy elsewhere," he added.

Reverting to traditional Labour positions, he said he was "shocked" that government agencies and companies often purchased from foreign suppliers for the sake of "two or three per cent" savings and supported moves to exclude from government tenders foreign vehicle suppliers – mainly Japanese – which refuse to enter counter-purchase deals to buy Israeli goods.

Turkey moves closer to EC on tariffs

By John Murray Brown in Ankara

TURKEY has moved a step closer to full customs union with the European Community by announcing a substantial tariff preference for its European trade partners under a new import regime published this week.

EC officials said the new two-tier tariff system, which took effect from January 1, provides both the Community and countries of the European *Free Trade Association* with real trade preference for the first time.

The reform, which has taken three years to prepare, ends a number of non-tariff barriers and reduces effective protection rates for Turkish industry.

The Community accounts for 43 per cent of Turkey's imports, worth around $14bn (£9bn) in 1991, and 50 per cent of the country's exports.

Under customs union, by *January 1996 Turkey is set to* remove all trade barriers to EC goods and adopt the Community's common external tariff for third countries.

In line with a 1963 Association Agreement with the Community, Ankara announced a further 10 per cent cut in the legal duty, on the so-called 10-year list and the more sensitive industrial items included in the 22-year list.

The Turks have also gone *some way to reduce non-tariff* barriers to trade, which in practice kept Turkish levels of protection high and were a principal bone of contention in trade talks with Brussels in the past.

Of these, special levies such as the municipality tax and stamp duty are scrapped.

In a further concession, Turkey announced tariff cuts in agriculture and iron and steel products, which were not previously *included in the negotiations*.

There remains some concern over the retention of the Mass Housing Fund, a non-tariff barrier which in some instances has been increased and even extended to products previously exempt, all in an apparent effort to make up for the revenue shortfall implicit in the changes.

US film makers focus on Gatt

Audio-visual trade is a contentious issue, reports **David Dodwell**

THE US film and television industries have long cast a covetous eye on Europe's $30bn audio-visual market. For as long, Europe's governments have fought a largely unsuccessful battle to protect local culture from US "polluting" influences.

The tussle has come to a head in Geneva in the Uruguay Round negotiations on world trade reform, where the US has put European concessions in audio-visual services at the top of its EC negotiating agenda.

In Geneva the EC has called for the US formally to concede that audio-visual services "is not an industry quite like any other". One official said: "We want some sort of recognition from the US that the sector needs to be considered in more than just economic terms." With a concession of this kind on the table, he said, the EC could then start to talk market access numbers.

"The overwhelming problem is that in the US, audio-visual services are seen in purely commercial terms," the official complained: "In the EC, the economic aspect is seen as much less important, and it is seen in cultural and political terms."

The US has good reasons for seeing the sector as it does: "Audio-visual services are our second-largest export, and while we are certainly sensitive to cultural issues around the world, the facts are that they are a very significant commercial undertaking for the US economy," a US official said: "We can't look at it through a purely parochial prism."

The US film and television industry has a turnover of about $40bn a year – more than the industry of the EC member states combined, and about 40 per cent of the total world industry. Exports in 1990 to the EC amounted to almost $3.8bn. After imports from the EC of about $250m, this gave the US a surplus in trade in films, videos and television programmes of more than $3.5bn.

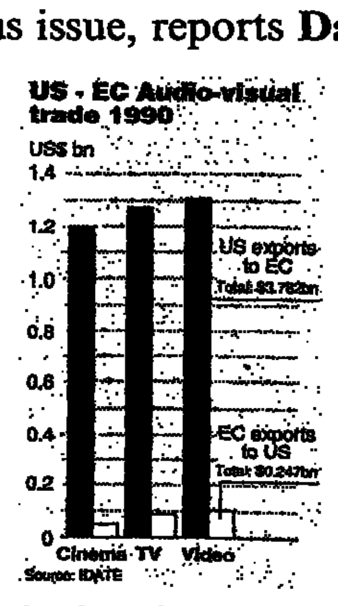
"This is an enormous commercial market, notwithstanding any cultural desirabilities," the US official said. It is also a market that is highly fragmented for both cultural and language reasons – making EC companies minnows when compared to US giants such as Universal or Time Warner, and making the markets comparatively easy prey to well-organised foreign competition.

As with so many disputes within the Uruguay Round, this is essentially one between the US and the EC. Japan supports the US since its own manufacturers acquired some of America's biggest film-makers. But smaller players such as Australia and India share EC concerns that their own film industries might be hurt if US companies win unfettered access to their markets.

The most critical US target is the television industry, since US film makers already account for 70 per cent of cinema box-office receipts across Europe. Just 20 per cent of films are made locally.

US film makers would ideally like the EC audio-visual market to be wholly open. In practice, negotiators aim to persuade the EC to open a minimum share of the market to foreign companies, and to promise never again to reduce that share. "One problem is that they have no offer on the table at all at present," a US official said.

US - EC Audio-visual trade 1990



Source: IDATE

A problem for EC negotiators is that the Commission has no clear mandate under the Treaty of Rome to negotiate trade in services on behalf of member states.

In France, the most fiercely independent and culturally sensitive EC market, 60 per cent of all television programming is reserved for French companies – with the exception of film channels such as Canal Plus. Forty per cent must be in the French language.

Other member states set a minimum level of 50 per cent local content. In Germany, responsibility for cultural policies rests with regional governments, making it tricky for the federal government to be seen setting policy.

Another EC problem is the fragility of the domestic industries. Deregulation and a proliferation of new television channels has led to increased US programme content during a period when the total of programme hours has grown tenfold.

The US giants have gained because of superior distribution across the EC region, better marketing, and because they have been able to win marginal sales in the EC at low prices that can be underpinned by sound profits already earned in the large and vibrant domestic market.

This success by US film and television companies, coupled with the immense and growing US trade surplus in the sector, make US complaints over EC trade barriers ring hollow. It is also arguable that US companies so dominate world trade in audio-visual services that there are reasonable anti-monopoly grounds for protecting a minimum market share for European film-makers.

Another EC problem is the Broadcast Directive, which is due for review in October next year, and which sets the framework for cross-border television services throughout the EC. Brussels insists that the EC cannot have its hands tied before the review.

In spite of these problems, it would seem possible that the EC could compromise by offering foreign companies at least as much of the EC market as they currently have. With the audio-visual market growing by almost 11 per cent a year across the EC, this binding alone would ensure steady export growth for US producing companies.

US, EC in push to cut trade tariffs

By David Dodwell, World Trade Editor

US and EC trade negotiators plan to push in the next 10 days for agreement on wide-ranging tariff cuts as part of a last effort to make headway in the Uruguay Round of talks on world trade liberalisation before President Bush leaves office on January 20.

The commitment to focus on a market access settlement follows a confidential weekend meeting outside London between Mrs Carla Hills, outgoing US trade representative, and Sir Leon Brittan, who has just taken over responsibility in the EC for negotiations under the General Agreement on Tariffs and Trade.

The meeting was intended to define exactly what was achievable between now and January 20. It is understood that the incoming Clinton administration will dedicate its first 100 days to domestic economic reforms, possibly leaving Uruguay Round negotiations to languish for several months.

While the EC will seek more sectors in which tariffs can be cut to zero, the US has agreed to examine the reduction of a number of high tariffs. The most controversial of these would be in the textiles sector.

Sir Leon Brittan said in Brussels yesterday that a deal by mid-January was "a formidable challenge for the Commission but not an impossible one."

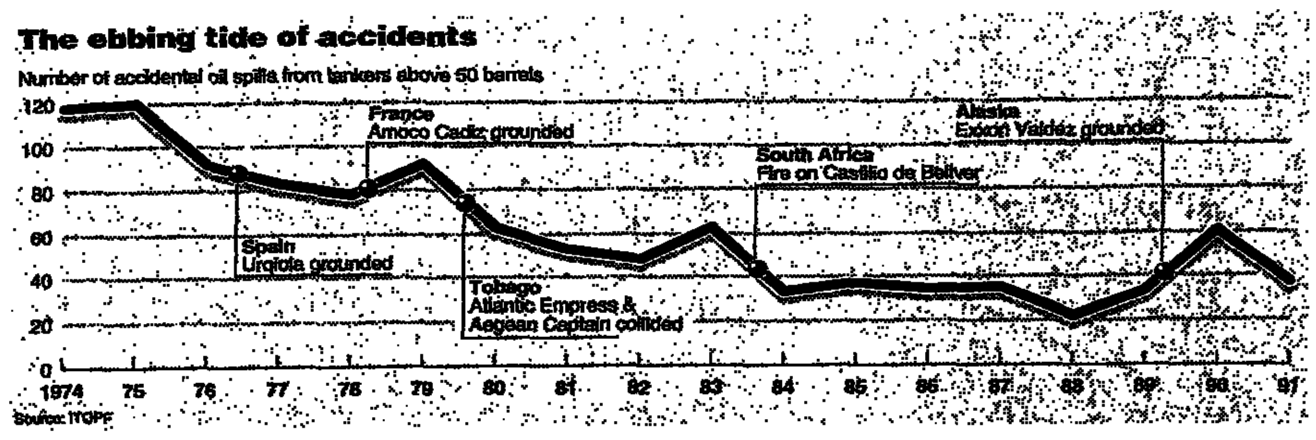
After the first meeting of the new EC executive, Sir Leon said that he had instructed EC officials to reopen negotiations in Geneva.

THE BRAER DISASTER

■ Government response to disaster criticised ■ Up to 10,000 birds at risk ■ Long-term damage questioned

Shipping bodies say oil spills 'inevitable'

By Deborah Hargreaves



SHIPPING organisations yesterday countered calls from environmentalists for tougher regulations in the wake of the Braer disaster by pointing to the virtual inevitability of oil spills so long as tanker trade continues.

"It is a trade-off between how much the world wants oil and the amount of environmental pollution it can put up with," said Mr Chris Horrocks, secretary general of the International Chamber of Shipping.

The wreck of the Braer in the Shetland Islands, coming so soon after December's oil spill off northwest Spain, is focusing attention on tanker safety.

But until the Exxon Valdez disaster in Alaska in 1989, the amount of oil spilled at sea had been steadily declining for almost a decade.

Nevertheless, there are many things that can be done to minimise the risk of oil spills and contain disasters when they happen. The European parliament has called for European countries to take unilateral action similar to that taken by the US after the Exxon Valdez spill.

US legislation has concentrated on the introduction of double-hulled tankers and the phasing out of older oil carriers with a single-skinned hull over the next 15 years. But since about 80 per cent of oil spills are caused by human error, there is an urgent need for harmonising training procedures throughout the seafaring world.

Although tanker crew members must have internationally recognised certificates of training, it is notoriously difficult to achieve sufficient uniformity in institutions that award them.

Training certificates can also be bought and sold in the back streets of Hong Kong.

The Philippines provides the greatest number of the world's seafarers, with India a close second. Although very high standards are achieved at some colleges in those countries, there is a wide disparity, according to Mr Horrocks, who is also director of the International Shipping Federation.

"There are indications that overall world training standards have diminished," he said.

Mr Horrocks' organisation is working to improve them by, for example, helping the Indian authorities to find a way to pay instructors more in an attempt to overcome the dearth of teachers in the sub-continent.

Legislation has been introduced to improve the safety of tankers themselves. However, the world fleet of about 4,400 oil tankers is ageing fast and the industry is severely underfunded.

The cost of a new tanker with the most up-to-date pollution control measures is about $125m (£82.2m). In order to make a worthwhile return, tanker owners need to make $60,000 a day on charter rates. Rates have dropped this year to $15,000 a day.

"We feel charterers should be prepared to pay for good quality tonnage and shouldn't charter sub-standard ships," said Mr Kristian Fuglesang, head of Intertanko, the International Association of Independent Tanker Owners in Norway. "That's the only way the world fleet will be renewed."

Oil companies, which are short of cash because oil prices remain low, are taking advantage of overcapacity in the tanker industry to strike very hard bargains on freight rates.

Mr Fuglesang said that in 1991 the freight cost represented just 1 per cent of the final price of petrol at the pump in the US and 3 per cent in Germany.

Although freight rates have fallen, it is still more lucrative to run tankers than to scrap them. The rate of scrapping old tankers – most of which were built at the peak of the oil price boom in the mid 1970s – rose last year, but at the same rate it would take 200 years to scrap the entire world fleet.

The International Maritime Organisation requires tankers that are more than 25 years old to be brought up to the standard of newly built vessels after 1995.

However, the maritime union, RMT, called on the government yesterday to ban all bulk carriers and tankers that are more than 15 years old from entering British waters unless they met UK safety standards.

That highlights the need to tighten the random inspection procedures of vessels calling at UK ports. There have been calls for increases in resources to step up the inspection regime.

The government appears to be moving towards extending the inquiry of the Braer disaster to include tanker safety as a whole.

The Merchant Navy Officers' Union has criticised the use of flags of convenience such as Liberia (where the Braer was registered) in UK waters, saying it has led to a fall in standards. Shipping experts say, however, that Liberia's safety record is better than average.

Mr Jim Wallace, Liberal Democrat MP for Shetland and Orkney, who called for an improvement in safety procedures in a letter to the government 18 months ago, called on the government yesterday to designate a mandatory exclusion zone around the Shetland Islands, giving coastguards the power to levy fines on vessels that infringe it.

Mr Wallace also wants the introduction of transponders, a radio device fitted to vehicles that responds to a radar wave so that vessels can be tracked and identified.

Meanwhile, the Meteorological Office yesterday called for changes to maritime law to compel ships carrying hazardous cargoes to receive regular weather forecasts.

The UK is unlikely to act outside the International Maritime Organisation, which requires international consensus to pass regulations. That means that changing and updating the statutes takes many years. Until countries take concerted action, the waters of the world will grow more polluted.

Engine failure still a mystery

By Richard Donkin

SHIPPING industry experts were reaching a preliminary conclusion yesterday that the Braer suffered from a combination of mechanical failures and plain bad luck before it struck the rocks at Garths Ness.

As the Braer's owners faced questions about the catastrophe, it became clear that tugs were not called to assist the stricken vessel until an hour and 10 minutes after it first reported difficulties at 5.20am on Tuesday morning.

Coastguards asked tugs to attend the Braer at 6.30am. There still should have been sufficient time for the ship to have been saved, but there were further delays.

When a rescue helicopter arrived at the scene, the tanker's crew was urged to evacuate the stricken vessel immediately before it returned to base. The captain chose to abandon the ship about half an hour before the first tug arrived at the scene – with the result that there was no one on board the Braer to secure a tow line.

Shipping industry experts defended the captain's decision to take the tanker through the 22-mile channel between Shetland and Fair Isle. Mr Michael Grey, of Lloyds List, said: "The ship would have been far more exposed had it sailed north around the island."

Mr Grey was uncertain as to exactly how the ship could have taken water into its fuel system so comprehensively that the engine failed and could not be revived.

He said the severity of the Braer's trouble suggested that water had got into the engine itself. There are precedents for this kind of problem although rarely with such catastrophic consequences.

Mr Grey speculated that water might have entered through a ruptured vent to one of the fuel tanks or at the time the fuel was taken on board.

"Fuel contamination is actually quite common, but what isn't common is that it that it leads to a ship being disabled for long enough for a ship to get washed up on the rocks," he said.

Ordinarily one tank is drawn down while the other is refilled, to give time for impurities to settle. In an emergency, it would be possible to take fuel from the other settler tank or even from one of the main bunkers, said Mr Alec Bilney, a marine adviser at the International Chamber of Shipping.

Ships' diesel engines work like those for road vehicles in that, if the fuel supply runs dry, their feeder systems need to be bled or evacuated before they can be restarted.

Mr Bilney said: "Don't forget they were working under extreme conditions. It was force eleven, with very low manning levels that all ships have.

"They were working in this cathedral of an engine room with the whole ship lurching violently. The fact is that they kept on struggling for two or three hours. I have enormous respect for them," said Mr Bilney.

Long-term worry 'may be unfounded'

By Bronwen Maddox, Environment Correspondent

THE SHETLAND oil spill may kill thousands of birds in the next few months but studies of past disasters show that some environmentalists' fears about long-term ecological damage may be unfounded, scientists said yesterday.

"The Exxon Valdez [which foundered in 1989 off the Alaskan coast] shows that nature is a great recoverer'" said Mr Peter Taylor, of the Oil Pollution Research Unit, the Dyfed-based environmental consultancy.

The Royal Society for the Protection of Birds said last night that the bodies of 100 oil-covered birds had been recovered so far in Shetland and that it believed 10,000 birds might be at risk.

The Shetland Islands are one of the UK's most important breeding grounds for seabirds and marine mammals, including nearly 800 otters, one of the largest groups in the UK. Many of the threatened birds are at sea but will return to nest within two months.

"Guillemots are very competitive for the best space on cliff ledges and get clobbered by oil more than most other birds because they nest low down the cliffs," said Mr Derek Niemann of the RSPB. He added that the numbers of birds on the islands had not yet recovered from the 1978 spillage when the Esso Bernicia tanker leaked off Sullom Voe.

Since the wreck of the Torrey Canyon off the south-west coast of England in 1967, much scientific effort has been devoted to assessing the environmental impact of oil spills, although US court actions have delayed the publication of some research.

According to Mr Taylor, studies suggest that "the effects last three months to 30 years depending on the type of oil, the weather and the type of shoreline".

A shag covered in oil is carried away from the beach of Querndale Bay yesterday

Although the light crude oil carried by the Braer evaporates more quickly than many other types, it contains complex hydrocarbons which are toxic to wildlife in many ways.

"It poisons them by affecting their lung tissue if inhaled, or it is absorbed through the stomach into the blood and overwhelms the liver," said Dr Paul Johnston, marine toxicologist at Exeter University.

"Then between six months and two years you get more subtle effects, such as fish populations crashing because their larvae have been poisoned," he added. "Between two and 10 years you start to see more long-term effects – lesions on the bottom of flat fish or abnormal shell development in shellfish."

US studies of polluted waters such as the Great Lakes and Chesapeake Bay suggest that some chemicals in oil may be cancerous or cause genetic changes. A few may also bio-accumulate – they may stay in the organism's tissues without killing it, and so might be passed up the food chain with eventual risk to human health, although several scientists stressed that the tendency was less than with pesticides.

Some long-term effects may be extremely hard to detect, Dr Johnston added. Although the wildlife numbers would eventually recover, "you cannot obliterate that much of a community and expect it to regenerate exactly the same. The gene pool will be smaller, reducing the community's long-term ability to adapt to change," he said.

However, several scientists emphasised that long-term effects could be very small and the environment's own resilience underestimated. Waves and bacteria eventually break down oil and "the conventional wisdom is that in 10 years an oil-fouled beach has cleared", Dr Johnston said. But experts are divided on the best techniques for treating the slick – and on whether treatment is effective at all.

Greenpeace, the campaign group, last night fiercely criticised the decision to start spraying the Shetland slick with detergent. Dr Jeremy Leggett, Greenpeace scientific director, said "spraying just transfers the oil from the surface of the sea to the floor", with the risk of prolonging the pollution. While Mr Taylor agreed that "the decision whether to use [spraying] can be complex", he added: "I'm not against it, as it helps break up the oil into smaller particles".

Exxon's own report into the environmental impact on the Alaskan coastline a year after the spillage, which concluded that "recovery was well under way", attributed that partly to the extensive beach cleaning operation, in which stones were individually scrubbed.

Second disaster found Spanish port prepared

By Tom Burns in Madrid

AT SPAIN'S north-western port of La Coruña, tankers have twice in the past 16 years been impaled on the harbour's outlying rocks. But by the second time, when the tanker Aegean Sea ran aground just over a month ago, damage containment had demonstrably improved.

When the Urquiola created a spillage of some 100,000 tonnes in May 1976, La Coruña's fishing community was heaving oil out of the sea in buckets.

When the Aegean Sea, with a cargo of 570,000 barrels of crude, broke up at the entrance of the port in thick fog on December 3, within hours 17 platforms were in position to start suctioning the oil.

The Urquiola spillage taught the authorities, for example, not to use detergents. In 1976 they were used in La Coruña's estuary and all but killed off the local mollusc industry. Some 15,000 kilos of clams were collected every day, but the total since has rarely exceeded 2,000 kilos.

With the Aegean Sea's spillage, booms were on standby in addition to the platforms and a series of container lorries equipped with suction apparatus that were stationed on the shore. Booms, totalling 6km in all, were thrown across the entrance to the estuary and across of those of its adjoining fjords.

The booms broke because of the heavy swell – La Coruña's coastline has barely 86 days a year of calm seas – but storms there last December helped to disperse the slick.

The Aegean Sea was carrying, like the Braer, light crude that evaporates more easily than heavy crude. Unlike the Shetland Islands tragedy, a fire, which the authorities refrained from putting out, followed the shipwreck.

In all, between 15,000 – 20,000 tonnes of crude out of the Aegean Sea's 79,341 tonnes load spilt out to sea. Some 6,500 tonnes were pumped out directly from the stricken tanker and about 5,000 were suctioned off from the platforms and the shore. More than half the total load burnt itself out.

At the end of last week, with the pumping procedures virtually completed, work began to clean up the beaches. Learning from the earlier disaster, the authorities have opted to do so manually as far as possible, with workers painstakingly scraping the crude-drenched sand with shovels rather than using earth-moving equipment, which risks burying the oil deeper into the ground.

The rocks will also be scraped. High-pressure hoses employed after the Urquiola spill were later found to have to have created unnecessary damage to micro-organisms.

The effects of the Aegean Sea disaster on the surrounding fishing grounds will take a long time to assess. The slick has already broken up into tiny particles that are suspended on the surface but will eventually drop to the ocean floor, where they will stifle plants and crustaceans alike. From the beginning of this month, the local fishing fleets were authorised to return to their traditional areas.

Islanders see fears fulfilled

By James Buxton in Sumburgh

"A DISASTER like this has been on everyone's mind for the last 20 years," says Mr James Moncrieff, a Shetlander. "It's ironic that it turned out to be a passing tanker that caused it."

The Shetland islands have had a tempestuous relationship with the oil industry since North Sea oil was discovered in the 1970s and it was decided to bring it ashore at Sullom Voe at the north end of the main island.

For years the Shetlanders negotiated arrangements with the oil companies that would make them one of the more prosperous parts of Britain, and which would guard against the destruction of their environment.

The Shetlanders were concerned not just that their gaunt scenery should be disfigured as little as possible by the oil industry's installations. They were also deeply worried that at some stage there would be an environmental catastrophe involving tankers using Sullom Voe.

In the event, there has been only one serious spillage, in an accident involving a tanker at the oil and gas terminal, which opened in 1981. That was not on the scale of the Braer disaster, but because of the constant awareness of the threat of an environmental tragedy, Shetland has always been prepared and well equipped to deal with oil pollution.

Many people in Shetland have reacted with resignation to the fact that disaster has now struck, albeit from an unexpected quarter. There has also been anger that the Braer was travelling relatively close to the islands and questions about the standards of seamanship and courage of the tanker's crew.

That surfaced at a press conference yesterday when Mr Willie Tait, the Shetland Islands councillor for the Sumburgh area, blamed the crew of the Braer for the disaster and said that a British crew would not have abandoned its ship while it was in such danger of crashing with devastating effect on to the rocks.

While many Shetlanders are saddened by the threat to the birds and sea life caused by the pollution, the biggest economic threat is to the fishing and fish farming industries.

In spite of oil wealth, Shetland still makes much of its living from fish. Almost a third of the islands' 10,000-strong labour force works in the fish industry, including fishermen, fish processors and salmon farmers.

Mr John Goodlad, secretary of the Shetland Fishermen's Association, said: "We are more dependent on fish than any other part of the EC. Without fishing the future of this community is doubtful."

With the oil slick confined to a fairly small area around the wreck there has been no impact on fishing grounds yet and the islands' salmon farms have not been affected.

Salmon farming became an important industry in Shetland in the 1980s and Shetland produces about a quarter of the 40,000 tonnes of salmon farmed in Scotland.

The Shetland salmon farming industry is reckoned to account for about £35m of the £80m turnover of the islands' fishing industry.

Mr Moncrieff, who is chief executive of the Shetland Salmon Farmers Association, said: "We are very afraid of what would happen if the oil slick entered the Voes [inlets] on the west coast where most of the salmon farms are."

The cages in which the salmon are reared would be highly vulnerable to oil pollution. The nearest voe containing fish farms is at East Burra, only 13 miles from the scene of the disaster.

The salmon farmers are relying on the emergency teams erecting booms to prevent the oil entering the voes, but until it is clear where the oil is going to go there is little more that can be done than prepare the booms.

Two small booms have been erected near the wreck but otherwise the emergency teams are waiting. About 1,500 metres of boom material is on the islands and a further 5,000 to 7,000 metres will arrive early today by ferry from Aberdeen, having been rushed up from England.

A more immediate worry for the fishermen is the dispersants that are being sprayed on the oil at and around the wrecked tanker. Although the fishermen and salmon farmers accept that dispersants play a useful role as an emergency measure, they are worried about the other effects.

Mr Moncrieff said: "The mixture of oil and dispersant creates an emulsion which goes right down through the water, whereas without dispersant the oil stays on the surface. This means that with the dispersant the oil may cause more damage than if it had been left."

Fishing interests believe that with Shetland being at the confluence of the Atlantic Ocean and the North Sea the best thing is to leave the forces of nature to disperse the oil in their own way where possible.

Critics eye report by watchdog

By Ivo Dawnay, Political Correspondent

CRITICS of the government's response to the disaster will seize on a report about the Department of Transport's emergency provisions for oil and chemical spills at sea conducted two years ago by the National Audit Office, the government spending watchdog.

The report, which may influence the inquiry into the spill, underlined that the department had not carried out a detailed evaluation of the costs and practicability of responding to oil pollution involving more than 10,000 tonnes.

The report said the Transport Department had raised its stockpiles of aerial dispersant. But it added: "They [the department] did not carry out a detailed evaluation of the costs and benefits of different levels of airborne response capacity. Nor was consideration given to the clean-up costs and environmental impact of larger spills."

It was not clear last night whether the department has subsequently increased its capacity to deal with maritime pollution.

Insurance payments likely to be held below $83m

By Robert Rice and Richard Lapper

FUNDS TO meet the cost of cleaning up the oil spill from the Braer, and for compensating Shetland islanders, are likely to be limited to $83m (£54.60m) under two international conventions to which the UK is a signatory.

Mr Jean Gaulin, chief executive of Ultramar, the North American oil company that chartered the tanker, said it had insurance cover up to a maximum $700m available.

In order to win awards of more than $83m, claimants will need to prove the tanker's owners guilty of gross negligence – breaching the terms of the conventions limiting the owners' liability.

Civil liability for oil pollution damage is governed by a 1969 international convention and another in 1971 which set up a compensation fund.

Under the first convention, tanker owners are strictly liable for oil pollution limited to 133 special drawing rights per tonne of oil carried, up to a maximum of 14m SDRs.

Shipping lawyers said yesterday that in the Braer's case the liability of the owners would be just over $8m, much less than the estimate of $17m offered by marine insurers on Tuesday.

Jean Gaulin: insurance cover of maximum $700m available

Skuld, the Norwegian protection and indemnity club that covers the Braer's liability risks, would pay the first $2m, with the international group of P&I clubs paying the remainder through a mutual reinsurance arrangement.

That would leave just over $74m to come out of the London-based international fund for compensation to meet the remaining costs of the clean up and any claims for damages. The fund was set up by the oil industry to supplement compensation available under the the 1969 convention up to a maximum of 60m SDRs ($80m). It is financed by levies on oil companies.

Yesterday Mr Mans Jacobsson, executive director of the compensation fund, said he believed the fund would be sufficient to cover all claims.

Insurance cover for pollution clean-up and some other related pollution costs is carried over and above the convention limits. The international group of P&I clubs has a reinsurance policy placed mainly with Lloyd's syndicates and London market companies by the Miller Insurance Group, the brokers. It provides cover up to $500m, with an additional policy taking cover up to a limit of $700m.

For claimants to tap that extra source of funds, they would have to show that the owners were directly to blame for the spillage or that they had some knowledge of a defect in the tanker which was likely to result in pollution.

Lawyers likened that to wilful misconduct by the owners and said it was extremely difficult to establish.

Strong pound boosts UK recovery hopes

The longer term outlook for sterling remains uncertain, report Peter Marsh and James Blitz

THE pound's rise this week has given Mr Norman Lamont, chancellor of the exchequer, an unexpected new year present.

It provides a more favourable background for any further cuts in interest rates which may be needed to generate UK growth, and helps in the Treasury's battle against inflation.

Sterling's strength may also help Mr Lamont to claim the currency is regaining some of the confidence of international investors which was lost last September, as a result of Britain's disastrous exit from the European exchange rate mechanism (ERM).

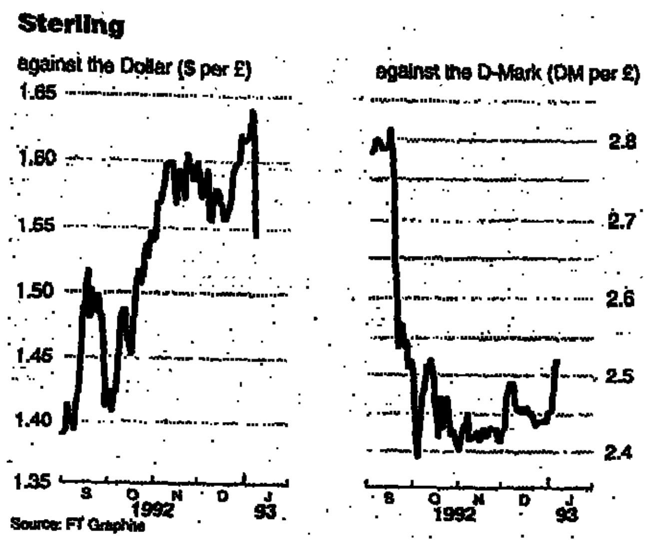
The pound closed last night against the D-Mark at DM2.52, up 1 pfennig, and little changed against the dollar at $1.5420 after a sharp rise on Tuesday. Yesterday the pound was also much stronger against its trade weighted index, which measures the it against a basket of currencies, and which rose from 81.2 to 81.7. However, the longer term outlook for the pound is still uncertain, in spite of the strong performance of recent days.

It is still too early to talk about the pound shrugging off the tribulations of the past six months. Sterling enjoyed a similar rally against the D-Mark in mid-December, only to fall back a few days later.

The outlook for sterling's exchange rate against the dollar also looks much less favourable than its prospects against the D-Mark.

Against the German currency, there are predictions that sterling could rise as high as DM2.70 later this year if the Bundesbank cuts German interest rates to halt the country's slide into recession.

But the dollar appears well set for a strong rally against European currencies in 1993. Given the large fiscal deficit in the US, economic activity will probably be funded by large inflows into the US currency. Against this background, Mr Ian Beauchamp, chief economist at Hambro's Bank in London, believes the sterling/dollar rate could soon be back at $1.40. Nevertheless, the main factors behind the pound's rise in recent days look reasonably solid. Investors have bought sterling partly because of the increasing turbulence inside the European Exchange Rate Mechanism, and the possibility that the French franc may have to be devalued.



Source: FT Graphite

The pound's weakness since Black Wednesday had partly been caused by the UK government's cuts in interest rates, which give investors a smaller return for holding the UK currency. But, the prospect of a devaluation of the franc or a cut in German interest rates now makes sterling look like a temporary safe haven in Europe.

"There is a small risk of a 5 or 6 per cent devaluation of the French currency later this year," says Mr Avinash Persaud, a currency economist at UBS Phillips and Drew in London. "That devaluation would undermine the higher return that investors now get for holding francs instead of pounds."

Investors have also bought sterling for other currencies because of increasing evidence that the UK economy may be recovering after its longest recession since the 1930s.

Indications of a significant rise in shop sales last month, together with a large 3 per cent year-on-year rise in the M0 money supply in December, have provided some support for theories about a modest rise in consumer spending.

In industry, concrete signs of any recovery are harder to spot. Order books have remained thin, despite the confidence-boosting measures announced by Mr Lamont in the November Autumn Statement. However, many companies can reasonably expect to step up UK sales this year as the economy benefits from the 3 percentage points cut in base rates, bringing these to 7 per cent, since the pound's ERM exit.

Another factor attracting investors is that Britain's economy is starting to look more robust than elsewhere in Europe, although UK growth this year is likely to be modest.

With German growth in 1993 expected to be no more than an extremely modest 0.5 per cent – and with Italy and France also expected to see only a weak economic expansion over the next 12 months – the increase in UK output of 1 per cent to 1.5 per cent which many economists predict for this year looks reasonably healthy – "the prospects for economic growth in the UK may seem be anaemic," says Mr Persaud. "But it is growth nevertheless."

TSB Bank faces strike after talks collapse

By Lisa Wood, Labour Staff

A NATIONAL strike by workers at the retail branches and computer centres of TSB Bank will go ahead on Friday, after talks collapsed yesterday.

Bifu, the banking, insurance and finance union, forecast that it would get large-scale support at the 1,400 branches but TSB said it was unlikely branches would close.

The bank said it would "do everything possible" to minimise disruption to customers".

Less than one third of employees are likely to be actively involved in the action. Of Bifu's 19,000 members in the bank, 10,000 voted in the strike ballot with 7,000 in favour of strike action. TSB's total workforce numbers 25,000.

Bifu has been negotiating with TSB for the past two years over a major re-structuring programme involving the loss of about 5,000 jobs. But talks at Acas, the arbitration, conciliation and advisory service broke down yesterday after TSB refused to guarantee there would be no compulsory redundancies among the further 1,000 jobs to be lost.

"The vast majority of the losses should be voluntary but we can make no guarantees to Bifu," TSB said.

Bifu is in a stronger position at TSB than at other banks because it has a greater per centage of members among the workforce than at Barclays, Lloyds and the National Westminster Bank where there are individual staff organisations.

The recent threat of possible compulsory redundancies at a time of acceleration of job cuts at other banks has caused concern among staff associations.

The strike on Friday will be followed by a a rolling programme of selective walkouts around the country.

Elf orders £70m oilfield platform

ELF ENTERPRISE yesterday announced the award of a £70m contract to SLP Engineering for the construction of a new accommodation platform for its Claymore oilfield in the North Sea, reports Deborah Hargreaves.

The new platform will introduce up-to-date safety measures into the accommodation module which are required in the wake of the Cullen report on the Piper Alpha oil tragedy.

The 11,000 tonne accommodation platform is due to be installed in early 1995.

In addition, Phillips Petroleum announced the award of a £28m contract to Kvaerner H & G for the design and procurement of facilities for its Judy and Joanne oil and gas fields in the North Sea.

The contracts will be a boost for the offshore industry which has seen a sharp drop in orders over the past year.

Majority of new Labour MPs favour electoral reform

By Ivo Dawnay, Political Correspondent

CAMPAIGNERS for electoral reform in Britain's opposition Labour party will receive a much needed boost today with the publication of a poll showing that two out of three of the party's new MPs back some form of proportional representation for the House of Commons.

The findings, taken from soundings by the New Statesman and Society magazine of some 52 of the 69 new MPs, appear to counter a widely-held perception that the tide within the parliamentary party is turning against any change from the first-past-the-post system.

They come on the eve of a crucial two-day meeting in London of the party's committee on electoral systems which is set to address elections to the House of Commons for the first time.

The committee, chaired by Lord Plant, is deeply divided over the issue which PR supporters are presenting as a litmus test of the party's readiness to take radical steps to modernise and reform.

Last month Mr Neil Kinnock, the former party leader, came out for the first time in favour of electoral reform after years of avoiding taking a public stance on the question.

Some leading shadow cabinet figures closely associated with the modernising faction in the party – including Mr Tony Blair and Mr Gordon Brown – have however appeared increasingly sceptical. Mr John Smith, the leader, has refused to state his position.

The poll shows that some 34 MPs, or 65 per cent of the new 1992 intake, back reform. Thirteen MPs or 25 per cent were against and five or 10 per cent were undecided.

Mr Robin Cook, Labour's trade and industry spokesman and a long-time advocate of PR, warns that reform is vital to Labour's bid to return to office.

"There is no long-term future for Labour as a party of government if it cannot re-establish local representation in the areas of fastest population growth in the south, and there is no serious prospect of doing so without PR," he writes.

While criticising the handling of the issue during the 1992 election, Mr Cook points out that Labour won more votes in southern England than in its heartlands in northern England and Scotland yet "ended up with only three Labour MPs to show for it".

Britain in brief

House prices show signs of stability

The UK's residential housing market showed signs of stabilising last month, according to the Nationwide building society. Its house price index fell by only 0.2 per cent during December.

This followed falls of 1.4 per cent in September, 2.7 per cent in October and 2.0 per cent in November, which were interpreted as reactions to the end of the government's stamp duty in August, and to the devaluation of Sterling in September.

Average house prices dropped during 1992 by 8.4 per cent, according to Nationwide, from £56,624 to £51,862.

Fewer new houses built

The number of new houses built last year fell to an 11-year low of 126,000, the National House-Building Council of Britain said. Its figures are for private housing starts and represent a 3 per cent fall on the 1991 figure of 130,500.

Starts during the fourth quarter were 26,400, 8 per cent lower than for the same period of 1991.

Nomura chief joins NatWest

Mr John Howland-Jackson is quitting as president of Nomura International, the UK subsidiary of Japan's biggest securities firm, to become a senior managing director of NatWest Markets, the corporate and investment banking arm of National Westminster Bank, one of Britain's four main clearers. He will have responsibility for all NatWest's investment banking activities, which till recently were known as County NatWest. These operations employ 2,400 people.

New race laws urged for EC

Britain should press the European Community to adopt a treaty outlawing racism and xenophobia based on the UK's Race Relations Act, according to a report for the House of Lords, Parliament's upper chamber. Arguing for a common approach by member states to immigration policy, the report says the most immediate need is for a "more open" process of policy formation to enhance transparency and public accountability.

Increase in visits to UK

Trips to the UK by overseas visitors totalled 15.4m for the first ten months of 1992 – 8 per cent up on the same period in 1991, according to the British Tourist Authority said. The number of visits from Western Europe in the first 10 months of 1992 was 9.66m, with figures for the last few weeks of the period being helped by the weak pound.

London hotel plan approved

Lambeth Council in central London has approved a planning application by Shirayama Corporation of Japan to turn County Hall, the former headquarters of the Greater London Council, into a hotel.

Manchester air traffic rise

Passenger traffic through Manchester Airport, England's main regional gateway, grew by nearly 15 per cent in 1992. Official figures are expected to show about 12.4m passengers using the airport last year, compared with 10.8m in 1991.

International centre planned

Herstmonceux Castle in Sussex, the former home of the Royal Greenwich Observatory, has been sold to an alumnus of Queen's University of Canada to be an international study centre.

PEOPLE

Chairman for Aitken Hume Bank

Bill Brown, who retired from Standard Chartered in 1991 having joined the Chartered Bank back in 1954, is taking on the chairmanship of Aitken Hume Bank; he also becomes a non-executive director of the parent, banking and fund management group Aitken Hume International. He succeeds Stuart Graham, a past chief general manager and group chief executive of Midland Bank, who is retiring at 71.

Brown spent 30 years in the Far East, mostly in Hong Kong but with spells in Japan, Singapore and Thailand. He returned to London when Rodney Galpin moved from the Bank of England to become chairman and chief executive of Standard Chartered in 1988. Brown's last executive role before retiring at 60 was as deputy chairman, but he is still on the board in a non-executive capacity.

He describes Aitken Hume Bank, which specialises in private banking, as a natural fit for him. "Most of my good

friends are high net worth individuals from overseas territories." Aitken Hume International's major shareholders are Lee Ming Tee of Hong Kong and Syrian-born businessman Wafic Said.

Since retiring, Brown has also taken up non-executive positions at the Korean Export/Import Bank and at Hong Kong Investment Trust, part of the Jupiter Tyndall stable. He will be part-time, spending two or three days a fortnight there, according to the bank.

In the past the group has been beset by management upheaval; in the mid-1980s Timothy Aitken was ousted from the board. His cousin and co-founder Jonathan Aitken stepped down from the deputy chairmanship when he became defence procurement minister after the last election. Brown says he believes the group is back on "an even keel – otherwise I wouldn't have joined."

He points to a new management team in place, including David Griffith, who joined last February and took on the new role of managing director of the bank in April, and Bruce Robinson, who joined as a director in June.

In November, Aitken Hume put out a statement that it was in talks with a potential bidder – assumed at the time to be one of the principal shareholders – but has not commented further. Brown, who says he was approached by Graham about the job and had already agreed to take it on before the bid announcement, reckons his position is unlikely to be affected whatever the outcome.

Bodies politic

■ Otto Thoresen, md Royal Life International, Stuart Fairclough, md Hafnia Prolific, Jacques Drossaert, md PanEuroLife, have been appointed to the executive committee of the ASSOCIATION OF INTERNATIONAL LIFE OFFICES.

■ Sir David Hardy, chairman of Bankers Trust Investment Management, has been appointed a trustee of the NATIONAL MARITIME MUSEUM.

■ Colin Field, md of the funeral directing division of Great Southern Group, has been elected president of the Association Européene de Thanatologie.

■ John Head, director of European consulting at P-E International, has been appointed president of the EUROPEAN INDEPENDENTS, a consortium of independent management consultancies.

■ Judith Hanratty, head of insurance at BP, a director of several BP subsidiaries and a trustee of Lucy Cavendish College, Cambridge, has been appointed a member of the INSURANCE BROKERS REGISTRATION COUNCIL.

Zographos' new commercial break

Meridian Broadcasting, the new ITV company for the south and south east of England is losing its finance director Stratis Zographos within days of going on air.

He has been poached by Andrew Quinn, chief executive of the ITV Network Centre, which will be responsible for commissioning ITV's network schedule, to be its first commercial director. Stratis will be responsible for programme budgets in excess of £500m a year.

Since 1984, Stratis, who was born in Eritrea of Greek parents but who has lived in the UK for 30 years, presided with skill and humour over the accumulating cash pile at TV-am. The breakfast station that lost its franchise would have accumulated £50m by the

end of the year had it not been for last month's £26m distribution to shareholders.

The new job means that for a brief period Zographos, who is 48, will hold three senior broadcasting jobs. Until the end of March he is still technically director of finance at TV-am and then there will be the handover period between Meridian and the ITV Network Centre.

Although Zographos says he is moving to the Network Centre because of the challenge of helping ITV make more efficient and cost-effective programmes, he also says: "I'm not talking about cost-cutting. The last thing I want to do is harm production values on the screen. The viewer has to come first." He worked a video editing machine during the dispute at TV-am.

Before moving to TV-am, Zographos worked for a range of companies including Conoco, Valor Group, Muraspec and Fobel International. But television is his business now. "I really love this industry," he says.

Finance moves

■ Roger Bootle (above) has been appointed chief economist at MIDLAND BANK and chief economist and director of research at Midland Global Markets, which encompasses the treasury activities of Midland and HongkongBank in London, New York and Tokyo.

■ Brian Storms, formerly ceo of Financial Services Advisors, has been appointed executive director European Business Division of FIDELITY INVESTMENTS.

■ David Legg, chairman of First Personal Bank, and George Tappert, md of GE Capital Corporate and Industrial Funding Group in Europe, have been appointed joint mds of GE CAPITAL, based in London.

■ Michael Woodward, general manager corporate lending, has been appointed director responsible for corporate and commercial business at The CO-OPERATIVE BANK.

■ John Bertrand, formerly senior manager of Citicorp's global treasury services division for Europe, has been appointed general manager of IBOS Management Company which is jointly owned by Banco Santander and the Royal Bank of Scotland.

■ Elizabeth Read has been appointed private client marketing director of CAPEL-CURE MYERS MANAGEMENT.

■ Callum McCarthy has been appointed chairman of BZW Corporate Finance in the UK; John Standen, formerly md, has been appointed chief executive.

■ Christopher Clarke, a director of Henderson Administration Group, has been appointed managing director of WITAN INVESTMENT COMPANY.

■ Adrian Phillips, formerly head of European equity research at Baring Securities, has been appointed head of German equity research at SOCIETE GENERALE EQUITIES.

Should chemical dispersants be used to clean up the Shetland oil spill? **Clive Cookson** examines the debate

To spray or not to spray

As the storm around Shetland begins to abate, arguments are raging about the wisdom of using chemicals and biological agents to clean up the 85,000 tonnes of crude oil spewing out of the stricken tanker Braer.

On the one hand are environmental groups and local fishermen who argue that the best policy is to let nature take its course, however slowly, because materials introduced to break up the oil more quickly may do more harm than the spill itself.

On the other hand, government agencies and the oil industry feel that public opinion requires them to take action – a policy of doing as little as possible would not be acceptable. They are encouraged by companies promoting products and services designed to clean up pollution.

Official UK policy is to rely on chemical dispersants as a first line of attack on spills, with mechanical methods of oil recovery playing a secondary role. As the US congressional Office of Technology Assessment pointed out in a recent report on oil spill policies, the British approach contrasts with many other countries that rely primarily on mechanical equipment. This includes floating booms to contain the slick, skimmers which remove the oil from the sea surface and pumps to suck it back into clean-up vessels.

But the Department of Transport's Marine Pollution Control Unit argues that the rough seas and stormy weather typical of the British Isles make it difficult to use mechanical methods. And recent advances in dispersants have made them less toxic than 10 or 20 years ago, when such chemicals were much more poisonous than the oil they were meant to break up.

Yesterday the MPCU's six Dakota aircraft sprayed the slick around Braer with 120 tonnes of dispersants – chemicals related to the surfactants incorporated in domestic detergents and washing-up liquids.

Andrew Lees, Friends of the Earth campaigns director, condemned the spraying as likely to aggravate the disaster. It would cause oil droplets to agglomerate in the top few metres of the sea, where they could poison organisms that would not be affected by an untreated slick. "The glamour factor shouldn't be overlooked – television pictures of the minister standing on the cliff and Dakotas coming in to save the day," he said.

Dispersants need to be sprayed within two or three days of a spillage if they are to work effectively, because the oil becomes more viscous and therefore less susceptible to chemical attack as its more volatile components evaporate.

When it comes to the longer term strategy for cleaning thick black gunge off Shetland's coastline, the main controversy is likely to involve bioremediation – using micro-organisms to devour pollutants. The technology has been developed over the last five years or so. It takes advantage of the fact that some bacteria have evolved to convert the hydrocarbons in oil into carbon dioxide and water (the microbes normally live off the seepages of oil and tar which occur quite widely in nature).

Bioremediation was first applied on a large oil spill after the 1989 Exxon Valdez disaster, when a 70-mile stretch of Alaskan shoreline was sprayed with fertilisers containing phosphorous and nitrogen compounds in an attempt to provide more nutrients for the natural oil-eating bacteria. The US Environmental Protection Agency said last year that the exercise had successfully speeded up the oil's disappearance without harmful side-effects but it admitted there was no scientific proof that it had made any difference. Much of the Alaskan clean-up was accomplished by mechanical and manual methods; teams of volunteers and paid workers removed tonnes of contaminated sand and scrubbed thousands of rocks by hand.

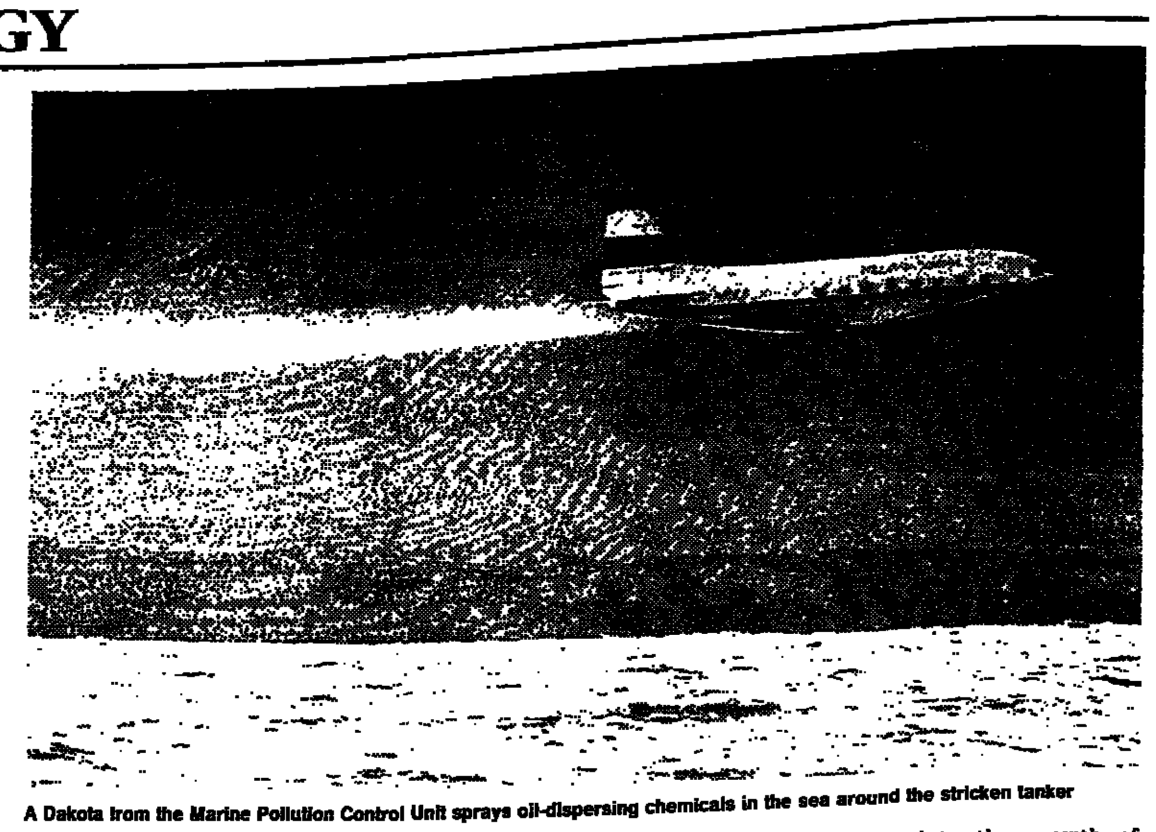
Then in 1990 bioremediation was used to combat the spillage of 5.1m gallons of crude oil from the Mega Borg into the Gulf of Mexico. The clean-up team sprayed a mixture of oil-consuming bacteria and nutrients directly on to the slick in the open sea. The US National Oceanic and Atmospheric Administration and the Texas Water Commission said in a report two months ago that the spill's environmental impact had been minimal but again there was no clear evidence about the effect of bioremediation.

International Bioremediation Services, a UK company based in the West Midlands, wants to use its cocktail of nine bacterial strains – shown in laboratory tests at the University of Wolverhampton to have a voracious appetite for Norwegian crude oil – on the Shetland coast.

Artur Haslimann, IBS chairman, says the product has successfully tackled oil spillages of up to 65,000 gallons on land, lakes and rivers. It could clean up beaches contaminated by the Braer "within months" even if the oil had sunk deep into the ground, he says. "When their food source has gone, the bacteria die and there is no further problem with them."

However, environmentalists are not convinced that the benefits of bioremediation outweigh its risks. They are concerned about the ecological effect not only of increased microbial levels but also of the nutrients applied with them, which could stimulate the growth of unwanted organisms such as slimy green algae.

"We're wary too of the 'magic bullet' philosophy, according to which it doesn't really matter what gets spilled because designer bugs can always come in and sort it out for you." Lees says. "Far better to put more effort into preventing the disaster happening in the first place."



A Dakota from the Marine Pollution Control Unit sprays oil-dispersing chemicals in the sea around the stricken tanker

Ageing hydros get a new lease of life

Rehabilitating old power stations has become a thriving business, writes **Ian Rodger**

The recent approval by the Ontario government of a C$1.2bn (£600m), 20-year project to renovate 34 small hydro electric power stations in the Canadian province highlights the growing potential of retrofit programmes for old hydro plants.

At a time when the construction of new hydro electric projects is being stalled throughout the world by environmental and financing problems, electric utilities are turning to renovation of old plants as a way to increase power output significantly and quickly without adding to environmental disturbance.

There is hardly a single component in an old hydro station whose performance cannot be improved by a more efficient modern equivalent. Digital controls, for example, permit more efficient use of the water flow than old manual ones.

Thanks to the recent development of computer-aided flow simulation technology, the biggest gains can now be obtained by designing new, optimised turbines to make maximum use of the available water.

According to the Escher Wyss division of Sulzer, the Swiss engineering group, retrofitting newly designed turbines can yield increases of power generation capacity from an existing plant of between 15 and 20 per cent. If combined with redesigned and manufactured waterways and generator sets, the gains can be even larger.

The benefits from good turbine design are of two types. First, the efficiency of the turbine itself can be improved. However, the potential there is relatively modest, the big gains having been made already. The efficiency of modern turbines is generally over 90 per cent compared with 75 per cent in 1900.

The other, more important, benefit comes from designing the turbine so that the flow rate from the same head of water can be increased. The problem with high flow rates is that the differential in pressure between the two sides of the turbine blades rises and this accelerates erosion of the blades through a process known as cavitation (air bubbles imploding against the surface of the blade). Using computational fluid dynamics, it is possible to optimise the shape of the blades and water guides to minimise the erosion.

Escher Wyss, one of the world's top three water turbine makers, claims a lead over its competitors in the lively retrofit sector because of the high level of sophistication of its computer simulation programmes, developed during the 1980s in co-operation with the University of Lausanne.

The company says that its programmes work considerably faster than those of its competitors, so that it can carry out a flow analysis of a specific case in only a few hours.

This means it can explore several alternative solutions over a period of a few weeks to find the most suitable one. "The bottleneck today is the engineer's understanding, not the computer," says Helmut Keck, head of research and development at the hydraulics division of Sulzer-Escher Wyss.

The programmes have also become increasingly precise, with a recent addition even to simulate cavitation. The company is working on a programme that will simulate the whole turbine-generator complex.

Keck says that, in cases of small turbines at least, there is no longer any need to go through the expensive and time-consuming step of building a scale model to verify the performance claims produced by its computer analysis. This means that the time from order to completed installation can be cut almost in half from about two years to one year.

The company's first large-scale use of the technology was for the McCormick power station of Manicouagan Power in Canada's Quebec province. New turbines were designed to fit into the existing casing, and the computer simulation suggested an increase in output of about 14 per cent. A model test confirmed the indication, and the actual installation, which is just now taking place, appears to be confirming the projections.

On the Ontario Hydro contract, Escher Wyss's Canadian subsidiary will make comprehensive proposals for rehabilitating 34 power stations throughout the province and supply what it calls water to wire electro-mechanical equipment packages for them. The value of its contract is about C$350m.

Christian Habegger, general manager of hydraulics at Sulzer-Escher Wyss headquarters in Zurich, says the retrofit business looks set to continue to grow, especially in industrialised countries where nuclear power plants have become unpopular.

Habegger says the technology could also be helpful in eastern European countries where many hydro plants are in a poor state of repair and where utilities urgently need new sources of power so that they can shut down their dangerous nuclear plants.

MANAGEMENT: MARKETING AND ADVERTISING

A patch in time to save smokers

Gary Mead reports on the race to help nicotine addicts give up

Imagine trying to sell a product which is simultaneously highly addictive and extremely poisonous.

Even if it doesn't sound immoral, it appears commercially absurd. After all, sales would collapse as customers died.

Yet one of the world's best-selling products – tobacco – contains nicotine which is both highly toxic and addictive. The cleverness of tobacco producers has been to provide just enough nicotine to yield its medically recognised benefits – such as stimulation of dopamine secretions in the brain, alleviating anxiety – without fatally poisoning the addict.

No wonder then that while millions annually resolve to kick the smoking habit, only about 10 per cent succeed in stopping for a year. Of the UK's 14m smokers, an estimated 10m want to stop. As many as 40 per cent of British smokers try to stop the habit permanently during any one year; most fail.

That is cheering news not just for tobacco producers but also for the newly evangelising manufacturers of products – chewing gum and stick-on patches – aimed at providing small doses of nicotine, enough to satisfy cravings, but without the 2,000 or so other toxins contained in a typical puff of tobacco smoke.

The patches are attached to the skin surface and slowly release nicotine into the bloodstream.

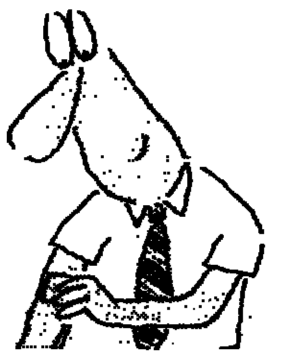
In the US, with 50m smokers, the leading brands are Nicoderm (from Marion Merrell Dow), Habitrol (Ciba-Geigy), Nicotrol (Warner-Lambert) and Pro-Step (American Cyanamid).

Advertising Age, a trade magazine, calculates that their combined sales could have reached $900m (£592m) in 1992, with advertising support of $100m, "the most ever spent on consumer advertising of a prescription drug".

In the UK three brands of patch have been available without prescription since the end of 1992. Kabi Pharmacia is using the cartoon figure (below) to market Nicorette, Ciba-Geigy is selling Nicotinell, and Marion Merrell Dow is promoting its brand, Nicabate.

A three-month course for each retails from between £147.54 to £182.76, less than the daily price of 20 cigarettes.

Industry estimates suggest that this year's market could be worth £30m-50m. Kabi Pharmacia, which in 1991 gained UK approval to switch its Nicorette chewing gum from prescription-only status to an over-the-counter product, saw retail sales of the gum treble to £20m in 1992, which it believes is partly a result of easier availability.



The US sales/advertising ratio is likely to be repeated in the UK; certainly Ciba-Geigy and Kabi Pharmacia are spending in excess of £3m on their current advertising campaigns.

Reports from the UK's 13,000 dispensing pharmacies are encouraging for all three brands.

Some anti-smoking charities, however, are concerned that smokers may be misled by the marketing and that, ultimately, they may remain nicotine addicts.

Sandi Wilson, director of Quit, notes that "they are relatively expensive, particularly for the heaviest smoking groups which coincidentally are also the lowest income groups, and their success rates are questionable.

"Stopping smoking requires willpower. US research suggests that 90 per cent of successful ex-smokers quit without any formal help, because they have the motivation to do so."

Meanwhile, for those smokers who dislike both gum and patch, a further weaning device is just around the corner; the nicotine nasal spray.

Tony Beechey, British Marine Industries Federation chief: 'We need to educate ourselves about what things are really used for as opposed to what they stand for'

Boat builders must pay closer attention to customers, says **Keith Wheatley**

Weathering the storm

Sailing and the sea may course through the British bloodstream, but UK attempts to build and sell boats to the mass market have been anaemic at best.

That is the opinion of Tony Beechey, the new executive chairman of the British Marine Industries Federation, the trade group representing the £1bn a year industry.

Beechey's own recent experiences of shopping for a middle-sized yacht at last autumn's Southampton Boat Show have only reinforced his opinions. The first boat he liked was all teak and brass fittings. But it cost three times what Beechey wanted to pay.

The second was plainer but was over-specified and cost twice what he wanted to spend. The third was well-designed, functional, just right for price – and imported from the US.

Beechey is passionate in arguing that Britain's high international reputation in the marine field must be grafted on to volume production of affordable products.

Specialising in profitable niche markets as bespoke boat builder to the world's wealthy does not appeal to this plain-spoken Midlander.

"All this Burberry and Jaguar approach doesn't employ many people, does it?" he asks rhetorically. "It's peripheral. As a nation we're wearing Pakamacs not Burberrys. Since coming home six months ago, I've seen Britain as an outsider and I don't like a lot of what I see in industry.

"We tend in Britain to build products that go beyond what is necessary. It's very visible with cars. The last really good high-volume vehicle we produced was the Mini," said Beechey. "We need to educate ourselves about what things are really used for as opposed to what they stand for."

He speaks as a businessman who has spent most of the past decade in American industry. In 1980 he became managing director of Ward White Retail in the UK and in 1986 was appointed president of Hofheimer, its largest US subsidiary.

Beechey's early career, after graduating in economics from Hull University, was spent as a graduate trainee with Procter & Gamble.

Living on the edge of the Chesapeake Bay at Norfolk, Virginia, it was virtually inevitable that Beechey would buy a boat – a small Bayliner, the Ford Escort of the floating world. Within a few years he was hooked, changing vessels every few years.

"People scoff at the Bayliner but if you're a beginner you don't want to spend big money on something complex in a hobby you might not take to," says Beechey. "I don't yet see anyone building that entry-level boat in this country."

Overall, the BMIF's members have suffered a fall in turnover of close to 25 per cent since the recession began. Workboats and commercial craft have, understandably, held up far better than the leisure sector.

Yet there are bright spots. In the waterless area around of Kidderminster, Beechey recently stumbled across a small company working flat out on small motor cruisers.

"That owner doesn't want to talk about being a boat builder. He's got a production line that must build efficiently and cheaply," enthuses Beechey. "Britain has become deficient at understanding the relationship between production and volume."

Yet the BMIF's 1,400 members range from one-man brokerages to public companies building multi-million pound motor yachts.

The industry has always attracted more than its quota of dreamers and escapists. What man capable of holding a power-drill hasn't once dreamed of escaping the rat-race to run a boatyard up some sun-dappled creek?

"It's certainly a very fragmented industry," agrees Beechey tactfully. "Some of the smaller members, perhaps with a family business building a couple of boats a year, don't want growth." His philosophy will be simply to offer resources to those that do.

These will range from offering additional export advice to new in-house technical certification staff who should be able to help members get their products through the official process more quickly.

One problem the BMIF does not have is the wretched situation of trying to grow out of its members' pockets.

Subscription income is matched two-fold by revenue from leading boat shows – including London and Southampton – which the Federation owns via its National Boat Shows subsidiary.

"Someone back in the 1950s made a first-class decision to keep these assets within the industry. Its our major shop-window as well as being profitable," explained Beechey. The BMIF's own annual turnover is around £7.5m.

This year will see the first boat show dedicated to inland waterways, held at Nottingham.

Trade stand bookings have begun to outstrip supply, indicating the enormous growth of the canal and river sector – despite the recession.

If it overturns the preconceptions of the "blazeraati" as they sip pink gins at Cowes and dream of varnished mahogany, Beechey could not be happier.

"It's way overdue and its going to be a huge success," he chortles. "We've got to get the boats out of the south of England."

Aluminium industry shows its metal

Aluminium has been around since the early 1800s, but industry in general remains woefully ignorant about the uses of the metal. It is a condition which Brian Turner, president of the Aluminium Federation in the UK, describes as "one of the appalling educational failures of recent decades".

The European aluminium industry is belatedly setting out to rectify the position with a £1m programme aimed at educational institutions and industries that use the metal.

Geoff Budd, the UK project manager, says the programmes should end the days of lecturers telling students: "Aluminium is roughly the same as steel, but a bit more difficult." He points out that undergraduate mechanical engineers were provided with no information about aluminium 30 years ago and were still not being taught about it last year.

Under a European Commission programme known as Comett II, the aluminium industries in nine EC and European Free Trade Association countries and 25 universities are setting out to put aluminium on the educational map. The EC is providing about one third of the $1m (£600,000) cost, while the universities are contributing their time. The industry is footing the rest of the bill, mainly through the UK's Aluminium Federation, Germany's Aluminium-Zentrale and SkanAluminium in the Nordic countries.

The Aluminium Training Partnership (ATP) provides the link between the industry and the universities. The second and most important project is known as Talat, an acronym for Training for Aluminium Application Technologies.

Its objective is to produce 150 hours of teaching material covering five aluminium application technology areas at three levels of attainment. The subject areas being targeted are aluminium materials technology; design; manufacturing and forming; joining technology; and surface technology.

For each subject one or more groups of university partners have been formed, each with specialist contacts in the industry. They aim to produce lectures suitable for courses in nearly all the relevant areas of technical education.

David Blackwell

Obituary

Rudolf Nureyev

Few dancers have so held the attention of the public, or so imposed their image on the ballet of their time, as Rudolf Nureyev, who died yesterday.

From the moment of his leap for freedom at Orly airport in 1961, when he fled his Soviet minders and made his sudden choice for the opportunities of the West, Nureyev was headline news. He remained so for the rest of his life.

He performed more, and more adventurously, than any other dancer in this century. By force of will quite as much as by the magnetism of his stage presence, he created a vogue for male dancing that was unprecedented in its impact. His artistic shrewdness, blazing temperament, quick intelligence and extraordinary physical allure were fused in an irresistible combination which subjugated every audience. Above all else he was a star – with the merits that attend upon such an identity, as well as the inevitable faults.

He was self-created, self-reliant. If the image was glamorous, the dedication to dancing was unyielding, serious. When ballet companies could not offer him the opportunities he sought, then he would generate work for himself.

He initiated seasons and tours under the banner of "Nureyev and Friends", in which a sequence of guest companies and dancers revolved round the immutable figure of Nureyev himself. He mounted the old classic ballets, in elaborate stagings, throughout the world; starred in them, and was filmed in them. He produced choreography – notably *Romeo and Juliet; Manfred; Tancredi* – in which he was usually the star and the justification.

He danced with a multitude of ballet companies, and with modern dance troupes, unrelenting in his quest for new roles, new challenges, new audiences. He appeared in films – *Valentino* is the best known – and toured in a revival of *The King and I*. As his dancing days ended, he made himself an orchestral conductor.

Born in a train in 1938 near Irkutsk, of Tartar parentage, Nureyev became obsessed with the idea of being a dancer while still a young boy. He contrived to get himself to Leningrad for training, and against all the odds of a late start as a student, he became a pupil of the great pedagogue Alexander Pushkin. Pushkin shaped his native genius, and the rare excitement that the young Nureyev generated on stage swiftly won him leading roles with the Kirov Ballet.

His defection to the West in 1961 was symptomatic of Nureyev's vexed relationship with Soviet authority, and more especially of his life-long quest for artistic experience. He first appeared in London at a gala organised by Margot Fonteyn in November 1961: three months later he joined her in a performance of *Giselle* at Covent Garden. It launched a partnership that was to give new impetus to Fonteyn's career (she was 20 years older than Nureyev) and delight a world public for the next decade. The lasting memorial to their stage relationship was Ashton's *Marguerite and Armand* (1963), which captured that ardour and excitement which so thrilled audiences.

No one company could satisfy Nureyev's eagerness for work. Throughout the 1960s and 1970s he danced with what must seem an insatiable appetite and indomitable physical stamina, performing despite injury, racing from one city to another to manifest himself before his worshippers. If his interpretations remained, in some cases, mere displays of Nureyev mannerism, his determination to honour classic dancing (he was an inspiring and searchingly observant coach for other dancers) was an abiding virtue.

During the 1980s his obsessive performance schedule made it seem as if he were determined to outface his own legend, his earlier self, as he battled with roles for which he was no longer suited.

His greatest achievement during these years was his direction of the ballet company at the Paris Opéra – a notoriously intractable organisation – where his force of personality was more than a match for the intrigues and entrenched attitudes of the troupe. His programming was imaginative; his leadership gave new life and lustre to a company that had seemed sunk in arid traditionalism. In the five years between 1983 and 1988 Nureyev brought the Opéra ballet to world acclaim. His own performances, though, became more laboured, and his final tours in 1990-91 suggested an artist unable to accept the depredations of the years, showing a fraught presence to a public which flocked to see what they believed was still Nureyev, but which was, more exactly, a shadow of the great star in an unworthy setting.

Like Pavlova and Nijinsky, Nureyev captured the imagination of the world. Countless thousands, who might otherwise never have watched ballet, saw him dance, drawn by the magic of his name. His myth, and his manner, were irresistible to audiences. His willingness to work unceasingly at his art, to sacrifice everything for the rise of the curtain on a performance in which he starred, was obsessive. He was driven by this daemon, but he served ballet, and his vision of himself as a ballet dancer, with entire dedication. Ballet was much richer thereby.

He was last seen in public in October, taking a curtain call after the first night of his staging of *La Bayadère* for the Paris Opéra ballet. He was then clearly then a very sick man but the enormous wave of admiration which came from the audience seemed to fire his temperament yet again, and our last view of him was of his saluting the public with a gesture of great gallantry.

Clement Crisp

Nureyev by Cecil Beaton, 1978. From Portrait and the Camera by Robert Lassam

A wonderfully crazed thriller: Lolita Davidovich in Brian De Palma's 'Raising Cain'

Cinema/Nigel Andrews

When bloodletting leads to a moral experience

Some say that cutting meat from one's diet induces a more pacific temperament. I have a parallel theory for the cinema. What if Hollywood cut all the Italian-American directors from its payroll? We would begin with older bloodletters like De Palma and Scorsese. Then we would round up newcomers like Quentin Tarantino, whose *Reservoir Dogs* has caused much swooning and screaming in US cinemas. It is the tender tale of six hoodlums running amok with guns and razors after a bungled bank robbery.

I jest, of course, about the ethnic expulsion: I like cathartic violence as much as the next Aristotelian. Besides, *Reservoir Dogs* is overpowering not for what it shows – here a lake of blood around dying Tim Roth, there a severed ear brandished like a Christmas cracker novelty – but for the nervy fear it sets pumping in us from its start.

We keep shuttling between the horrific and the ridiculous. The camera circling six black-suited thugs as they chatter over trivia in a diner; then the gang's post-heist explosion into a warehouse, plus hostage policeman; then the flashback glimpses, jagged as broken glass, of the robbery; then the Jacobean momentum with torments, quarrels and deaths mounting up, cabined inside a single setting and scored to a dialogue track as haywire-demotic as early Scorsese. "Who'd you kill?"; "A few cops"; "Any real people?"; "Just cops."

This is the end of the world seen as both bang and whimper. There is comic nihilism even in the characters' Toytown job-names, bestowed on them by their Mr Big (Lawrence Tierney) and used by Tarantino to chapter-head sequences: "Mr White" (bullet-faced Harvey Keitel), "Mr Pink" (verminous Steve Buscemi), "Mr Blonde" (razor-wielding Elvis lookalike Michael Madsen), "Mr Orange" (Britain's Tim Roth, superb as the dying crook).

The characters' interchangeability is the film's big, black joke. Out goes the romantic Manicheism of traditional heist cinema: the loveably kooky crooks versus the cut-outs from the cop shop. Here by the close every crook is firing guns at every other crook – catalysed by the horrific scene in which Mr Orange sets about the pinioned cop and his ear – and the exact *casus belli* are lost in the chaos of identikit suits and dotty names. Cursed by many for its vicious amorality, *Reservoir Dogs* seems to me, in its apocalyptic contempt for the criminal mind-set, the most moral crime film in memory.

Watching Brian De Palma's *Raising Cain* – another day, another Italian-American bloodfest – is also a moral experience. Like Tarantino, De Palma neither canonises the criminal mind nor portentously condemns it. Better to shake the thing around in an absurdist Moulinex and see how quickly and interestingly it comes apart.

For Q.T.'s reductionist verismo, though, substitute B De P's accretive rococo. Disturbed psychologist John Lithgow has an imaginary evil twin (Lithgow with a sneer) and a not-so-imaginary evil father (Lithgow with Kane-like white hair). Dad once used Lithgow Jr as a guinea pig for experiments in childhood trauma. Now Mrs Lithgow Jr (Lolita Davidovich) is worried her spouse is doing the same. "I go to work," she exclaims, "and the child psychologist stays home playing house Dad!" She is concerned, you see, about their little child.

Then there is more. An old flame of Mrs L's (Steven Bauer) turns up to scorch the status quo; a murder is committed; a pair of odd detectives call in an odder super-shrink (Frances Sternhagen); and finally a shopping bag of oranges, a baby, a sun-dial and a black-wigged woman with a gun come together to form the climax.

This wonderfully crazed thriller bears the same stylistic relation to early De Palmas like *Obsession* and *Carrie* as *The Tempest* does to *Hamlet*. Be gone, dull realism. Here the swags and flourishes of De Palma's last great brainstorm *Dressed To Kill* are re-touched to create an other-worldly fable about our world.

In De Palma films there is no such thing as terra firma. Every setting, however humble from city park to motel bedroom, is queasily stylised by colour or camerawork; and even life's simple certainties rebound or betray. Nor, in the giddy drama of existence, do human beings quite know what roles they are meant to be playing. Miss Davidovich might be lead victim or lady detective. Mr Lithgow might be son, father or twin; doctor or demon. And Miss Sternhagen – well, note the scene in which she walks one way down a police corridor and is then pulled back another and tell me why you laugh out loud.

Of course the film was rubbished in America. They have still not pardoned Mr De P for *The Bonfire Of The Vanities*. And in any case cinema in the US is fast becoming a branch of daytime soap opera. If it does not stand there delivering platitudes in head-and-shoulders shots, it must be kinky or corrupt. But *Raising Cain*'s title dares to invoke a sound-syllable from another great rococo title in the cinema, and how

RESERVOIR DOGS (18)
Quentin Tarantino

RAISING CAIN (15)
Brian De Palma

L627 (15)
Bernard Tavernier

TOUS LES MATINS DU MONDE (12)
Alain Corneau

A WINTER'S TALE (12)
Eric Rohmer

Orson Welles would have loved this strange, beautiful descendant.

★

Elsewhere, all is France. Bertrand Tavernier, Eric Rohmer and Alain Corneau all steal into London bearing celluloid. Two and a half hours of it in Tavernier's *L627*, a neo-realist cop drama whose exact purpose eludes me. Surely it cannot be a *rechauffage* of the old chestnut about the police being as bad as the criminals?

Perhaps it can, as the plain-clothes Paris drug squad led by plain-looks Lulu (Didier Bezace, magnetic despite wearing what looks like joke-shop nose, moustache and glasses) hurtle about town making busts. The film's pattern is as follows. Out to the streets or subways to capture dealers; then back to the portacabin-style HQ to have tea or do over the captives; then out to the streets; then back to HQ...

Is this is a vivid picture of a monotonous, soul-destroying life – or a monotonous, soul-destroying picture? Tavernier's humanism never takes short cuts: hence its magnificence when it is in full motor order (*Round Midnight, Life And Nothing But*). But *L627* – the title invokes a French article of law about the treatment of drug offenders – is by my watch two decades behind what popular American cinema has been doing and saying, more interestingly, about dodgy cops since *The French Connection*.

On to Alain Corneau's *Tous Les Matins Du Monde*, and not a cop in sight. Gerard Depardieu's face in full close-up sighs out memories of his great music master as a tear falls. We are in the late 17th century when baroque music reigned and when, in extended Depardieu-recalled flashback, one maestro called Sainte Colombe (Jean-Pierre Marielle) handed down *viol de gamba* wisdom to one Marin Marais (Depardieu in youth played by his son Guillaume).

Yet Monsieur S.C., a stern and jealous widower with a love-starved daughter (Anne Brochet), first welcomes M.M. into his country villa as one would welcome a hatchet murderer. Moods are as high-strung as the music. Faces glower through the half-light washing in from windows – cameraman Yves Angelo's no-tricks period lighting is a joy – while tautest cat-gut sings out pain and transcendence.

Pascal Quignard wrote the script from his truth-based novel. Yes, these star-crossed musicians did live and love: although I question whether Sainte Colombe was so deaf to non-musical sounds that he never heard his disciple slither into the eavesdropping crawlspace under the master's garden studio. Gem-like performances, though, in a dark jewel of a film.

A Winter's Tale has an almost terminal case of the chatters. Well-known French winemaster Eric Rohmer removes the corks from three garrulous souls – pretty Félicie (Charlotte Very) and the two lovers she must choose between – and watches as they fizz like long-distance champagne bottles. Will the girl go for middle-aged Max or pale, intellectual Loic? Or will she wait for long-lost Charles, whom she met *en vacances* years before but gave the wrong address to? (It could only happen in a Rohmer film.) Plato, Pascal and other pensive matters are mixed in. Pleasant if non-vintage.

INTERNATIONAL ARTS GUIDE

ATHENS

***Concert Hall** Tonight:* dance programme with Sylvie Guillem and Laurent Hillaire. Tomorrow and Sat: Byzantine songs and orchestral music. Sun and Mon: Ivan Fischer conducts Budapest Festival Orchestra in works by Schubert and Dvořák. Wed and Thurs: Fischer conducts a Beethoven programme, with piano soloist Zoltan Kocsis. Jan 20: Alfredo Kraus (722 5511)

BOLOGNA

Igor Oistrakh, accompanied by Natalia Zertzalova, gives a violin recital on Mon at Teatro Communale. Next Thurs: Ivor Bolton conducts first night of Graham Vick's new production of Monteverdi's Coronation of Poppea (529999)

BUDAPEST

● State Opera has Les Contes d'Hoffmann tonight and tomorrow, Falstaff on Sat and Tristan und Isolde on Sun. Erkel Theatre has Johann Strauss' Zigeunerbaron tonight, Die Fledermaus tomorrow and Sun and La Gioconda on Sat.

● Adam Fellegi gives a piano recital at City Hall tomorrow. Budapest Symphony Orchestra plays works by Bernstein and Gershwin at Academy of Music on Sun. Bartók Quartet plays works by Hungarian composers on Wed. Jan 17: Deszo Rankl piano recital.

● *Pre-booking* at National Philharmonic Booking Office (Vörösmarty ter 1) and theatre box offices.

CLEVELAND

Severance Hall 20.00 Christoph von Dohnanyi conducts Cleveland Orchestra in Ives' Three Places in New England, Mozart's Bassoon Concerto (David McGill) and Beethoven's Sixth Symphony, repeated tomorrow and Sat. Next week: Dohnanyi conducts Brahms and Dvořák (231 1111)

DRESDEN

CONCERTS

Sat and Sun in Kulturpalast: Jan Latham-Koenig conducts Dresden Philharmonic Orchestra in works by Messiaen, Strauss and Brahms, with soprano soloist Mechthild Gessendorf (486 6306). Sun morning, Mon and Tues evening in Semperoper: Giuseppe Sinopoli conducts Dresden Staatskapelle in works by Webern, Beethoven and Mendelssohn (484 2731)

OPERA

Tonight: Le nozze di Figaro. Tomorrow: Les Contes d'Hoffmann. Sat and next Thurs: Der Freischütz. Sun and next Wed: ballet triple bill (Semperoper 484 2731)

GENOA

Teatro Carlo Felice 21.00 Bordeaux Ballet presents Beauty and the Beast, choreography by Paolo Bortoluzzi, designed by Beni Montresor with music by Margaret Buechner and Philip Glass. Repeated tomorrow, Sat and Sun. Jan 24: first night of *Rigoletto* (589329)

THE HAGUE

Dr Anton Philipszaal 20.15 Sergio Tiempo piano recital. Tomorrow: Aldo Ceccato conducts Hague Philharmonic Orchestra in a New Year's concert, featuring music by Berlioz, Mendelssohn and Strauss. Sat: New Year's concert with Strauss Orchestra of Budapest. Next Wed: members of Hague Philharmonic play chamber music by Ligeti and Brahms (360 9810). Jan 14-Feb 5 at Danstheater: Nederlands Dans Theater presents new work by Hans van Manen (360 4930)

LONDON

THEATRE

● The Deep Blue Sea: Terence Rattigan's study of obsession and the destructive power of love, set in early postwar London. Karel Reisz directs a cast led by Penelope Wilton. Now in previews, opens on Tues, till March 6 (Almeida 071-359 4404)

● Carousel: Nicholas Hytner's spectacular production of the Rodgers and Hammerstein musical, choreographed by the late Kenneth MacMillan. Daily except Sun till March 27 (Lyttelton, National Theatre 071-928 2252)

● The Gift of the Gorgon: Peter Shaffer's new play starring Judi Dench. The RSC programme also includes Kenneth Branagh as Hamlet (Barbican 071-638 8891)

● The Game of Love and Chance: the most famous of Marivaux's comedies, in a new translation by Neil Bartlett. Now in previews, opens on Mon (Cottesloe, National Theatre 071-928 2252)

● Cyrano de Bergerac: Robert Lindsay stars in a stage adaptation by John Wells, directed by Elijah Moshinsky (Haymarket 071-930 8800)

● An Ideal Husband: Hannah Gordon and Michael Denison in a Peter Hall Company production of Oscar Wilde's caustic social comedy (Globe 071-494 5067)

DANCE/CONCERTS/OPERA

Royal Albert Hall Bolshoy Ballet opens an extended London season on Sat, with repertory including Romeo and Juliet, Le Corsaire, Spartacus, Raymonda and Giselle. Daily except Mon till Feb 14, choreography by Yuri Grigorovich, accompaniment by BBC Concert Orchestra (071-589 8212)

Covent Garden Royal Ballet has *Cinderella tonight, tomorrow and* Mon, Ashton's The Dream and Tales of Beatrix Potter on Sat and next Wed, and a triple bill including MacMillan's Judas Tree next Tues and Sat. The next opera performances are Alcina on Jan 15, 18, 20 and 22. Next new production: Stiffelio with Carreras, first night Jan 25 (071-240 1066)

***Coliseum** ENO repertory consists* of Ken Russell's production of Princess Ida (tonight, Sat, Mon and next Thurs), The Adventures of Mr Broucek conducted by Charles Mackerras (tomorrow, next Tues and Fri) and Carmen with Sally Burgess (next Wed and Sat). The Turn of the Screw is revived on Jan 25 (071-836 3161)

Royal Festival Hall Ben Stevenson's English National Ballet production of Nutcracker, *daily except Sun till Jan 16* (071-928 8800)

Barbican Tonight and Sun: Richard Hickox conducts LSO in two programmes, each including a symphony by William Alwyn. Jan 15-17: Janacek Festival, including concert performance of From the House of the Dead conducted by Andrew Davis (071-638 8891). Sun at Royal Festival Hall: Cleo Laine and John Dankworth (071-928 8800)

PRAGUE

● Don Giovanni can be seen tonight at Estates Theatre, followed by Le nozze di Figaro on Sun (228658). National Theatre has Lucia di Lammermoor *tomorrow and Bartered Bride* on Sat (205364). Prague State Opera has La traviata tonight, Tosca tomorrow and Die Fledermaus on Sat, thereafter no performances till Jan 22 (265353). *Vaclav Neumann* conducts the next Czech Philharmonic concerts on Jan 14 and 15 (286 0111)

● For pre-booking and information about these and other events, contact city centre ticket agencies (Sluna, Wenceslas Square 28 in the passage, tel 260693, or Bohemia, Na Prikope 16, tel 228738, or Melantrich, Wenceslas Square 38 in the passage, tel 228714) and theatre box offices.

STOCKHOLM

OPERA/DANCE

Tonight and Mon Royal Opera: Cav and Pag. Tomorrow and Sat: Shnitke's ballet Peer Gynt choreographed by John Neumeier. Tues and Wed: Ashton production of Cinderella. Next Thurs: Arabella (248240)

CONCERTS

A series of concerts devoted to Tchaikovsky takes place daily till Sun (mainly chamber music and song) at Konserthuset. Next Wed and Thurs: Niklas Willen conducts Stockholm Philharmonic Orchestra in works by Hammerth and Mahler (244130). At Berwaldhallen on Sat afternoon, Esa-Pekka Salonen conducts Swedish Radio Symphony Orchestra in works by Lutoslawski, Strauss and Bartók. Next Wed: Salonen conducts *Mozart and Bruckner (784 1800)*

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

Mr Nixon and Whitewashgate

BOOK REVIEW

NIXON – A LIFE
By Jonathan Aitken
Weidenfeld & Nicolson. £25. 633 pages

About eight years ago the "Dear Bill" column in Private Eye, the UK satirical magazine, referred to the Royal Commission set up to investigate the Falklands war. The fictional Denis Thatcher wrote that it came as no surprise to him when it concluded on page 864 "the Argies did it".

If you believe Jonathan Aitken's encomium to Richard Nixon, the blame for Watergate should be laid at the door of John Dean; or the press blew it out of all proportion; or any tangential involvement of the 37th president of the US was explicable by his understandable and compassionate desire to protect John Mitchell, who was drinking too much.

Indeed, if you can struggle through Jonathan Aitken and if you are a member of the insufferably superior British political classes, who – with the exception of a handful of men like Denis Healey – never bother to understand American politics, you will undoubtedly agree with the author's lofty conclusion: "that Richard Nixon, both as a man and a statesman, has been excessively maligned for his faults and inadequately recognised for his virtues".

The rehabilitation of Mr Nixon has become a fair-sized industry, pursued with undiminished zeal by the former president himself.

This is now extended to a book by a Tory MP and former journalist. Mr Aitken concedes his *oeuvre* was written with the full co-operation of Mr Nixon. They met in 1966, renewed the acquaintance in 1975, and by 1978 Mr Aitken was organising the first post-resignation trip to a western country.

Mr Aitken is honest enough to declare his biases whenever he feels necessary. This should not be necessary. Nixon's achievements – not only in foreign policy – are not in dispute by serious contemporary historians, like Stephen Ambrose and Garry Wills. But what both do – and Mr Aitken does not, beyond noting his awkwardness in discussing certain subjects – is to acknowledge the dimension of his faults, which are profound.

Watergate may have been the apotheosis of these, but it was not the only one. Only a blind Nixon adherent could seriously blame Pat Brown (Jerry's father) for the bitterness of Nixon's notorious concession speech in 1962 after his defeat in the California governor's race. Only someone who shares Nixon's perception of a world permanently arrayed against him could write that the hapless George McGovern ran the more unprincipled campaign in 1972. Only somebody under Nixon's spell could seriously believe that the high crimes and misdemeanours for which Nixon would have been impeached had he not resigned were no greater that JFK's links with the Mafia and LBJ's financial corruption.

No passage more irritates this reviewer than the sub-chapter grandly entitled "Watergate Thoughts from Abroad". Here are vacuities such as "from an international perspective, Watergate looked a tragedy of errors not a catalogue of crimes". Whose international perspective?

Finally, it should be noted that the rehabilitation does not even now go unchallenged. An article in last month's New Yorker by Seymour Hersh quotes from the as-yet unheard Nixon tapes, which have not been released for general consumption because of the delaying tactics of Mr Nixon's lawyers. Mr Hersh claims that, in 1972, immediately after George Wallace was shot, Nixon discussed with Charles Colson sending Howard Hunt to Milwaukee to plant McGovernite campaign literature in the apartment of Arthur Bremer, the would-be assassin. Hunt only failed because the FBI had moved with dispatch and sealed Bremer's apartment.

Was that the real Nixon, or could it be the pasteurised and authorised version that Mr Aitken would have us believe? The debate will rage forever. In the meanwhile, read Stephen Ambrose or Garry Wills for something closer to the truth.

Jurek Martin

ECONOMIC VIEWPOINT

A 'hole' should be kept for exports

By Samuel Brittan

The most important problem facing the British economy is no longer whether or when growth will resume. It is rather, how far and how fast will recovery be able to go before it runs into some constraint?

The constraint that is seen by most analysts is that old bogeyman: the balance of payments. Some readers will recall my scepticism about using this aggregate as a guide to policy. The case for a more relaxed attitude to the balance of payments depended on two assumptions. One was that the government's own budget was in order. The other that there was in place an anchor against inflation such as membership of the exchange rate mechanism (ERM) or at least public confidence in a firm exchange rate policy.

Neither of these conditions now exists. The payments deficit must therefore be taken into account as a warning signal. The budget and the payments deficits are not twins as some American economists used to think; but the two together matter more than either would on its own.

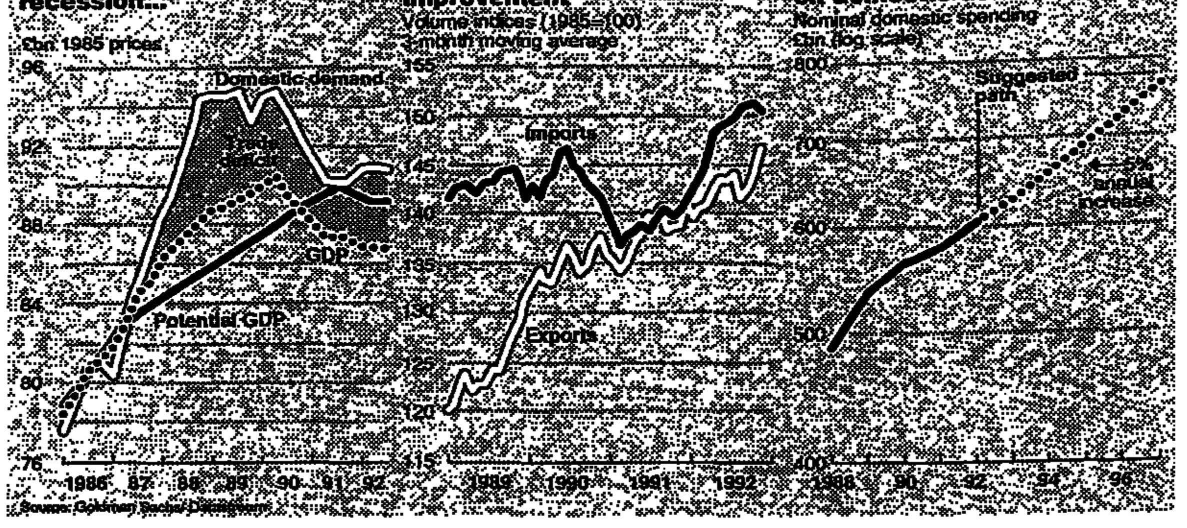
What worries the mainstream pessimists is not the size of the UK payments deficit itself but that it should be incurred in a recession which has been much worse for the UK than for its trading partners. Usually, depressed home demand discourages imports and intensifies the quest for exports.

Some quantification is provided by David Walton in the last Goldman Sachs UK Economics Analyst of 1992. He has revised downwards his earlier estimate of the gap between actual and potential output in the UK, which he now believes is only about 3 per cent. For since mid-1991, although unemployment has increased, the gap has stopped widening as companies have scrapped capacity.

Walton puts the British economy's potential growth rate at 2 per cent per annum, slightly below the trend in the last cycle. If the slack is to be absorbed and unemployment brought down as far as capacity permits, the UK will need to grow at an average of 1 percentage point above trend, ie 3 per cent per annum, over the three years starting in mid-1993.

On the Goldman Sachs diagnosis even this unambitious 3 per cent growth rate is unlikely to be achieved, as it would soon lead to a continuing current account deficit of 4 per cent of gross domestic product, equal to the peak reached in 1989, a year of acknowledged excess demand.

Let us assume that such a large and continuing deficit could not be easily financed and that the payments gap has to be held not too far above its present levels. Assume too that output in the industrial countries that make up the OECD were to grow by an average of 3¼ per cent per annum, which is quite optimistic as it involves a fair degree of catch-up. On these assumptions the UK could, it is said, grow by less than half the international rate.



For Britain to be able to achieve 3 per cent growth a further "10 per cent boost to competitiveness" is said by Walton to be required over and above that achieved after departure from the ERM. There is a close similarity between this figure and the 15 per cent further devaluation Wynne Godley has declared to be necessary – a little erosion of devaluation by inflation would bring the two together.

It is worth noting too that more optimistic assumptions about the amount of unused capacity available to be taken up or, about the underlying growth rate of the economy, might make the problem worse. For it would point to a higher desirable growth rate and thus a higher potential payments deficit. Throwing in the towel and accepting slow growth would not help either. Not only would unemployment climb inexorably, but the budget deficit would become unsustainable, with diminished tax revenues and increased calls on social spending.

I am agnostic about the above analysis which I have cited mainly for its clarity. Mainstream pessimists may have underestimated the responsiveness of British exports to world market growth or overestimated the relation between imports and GDP.

Econometricians may also underestimate the effects of improved price and profit margin competitiveness on export and import volume. This last sterling devaluation has occurred when inflation has been lower and recessionary forces in the labour market more severe than on any past occasion. It therefore has a better chance of sticking, and for a longer period, than before.

It makes a great deal of difference whether one takes the flattening out of import *volumes* towards the end of 1992 and the jump in exports seriously

A "hole" should be kept in the economy, which could be filled, if necessary, by exports and imports saving

or not. Quite small changes over quite short periods can radically alter impressions of underlying trends. At this stage I only want to raise doubts about the fashionable pessimism.

There are more controversial areas. The imperfections of the balance of payments data – which will of course be worse this year, while the European Community adjusts to a new recording system and we are deprived of monthly trade figures – are no mere detail. Despite all the efforts of UK official statisticians, there was still a "balancing item" of unrecorded inflows of more than £10bn, as large as the recorded deficit itself, during the first three quarters of 1992. Moreover there is still a world "black hole" of more than $100bn per annum – the amount by which aggregate world deficits exceed aggregate surpluses.

There are also analytical problems. We have no real idea how far the UK current deficit is the mirror image of an inflow of long-term investment which will produce future foreign exchange earnings. It is at least suggestive that the surge in imports over the past few years has coincided with a large inflow of Japanese investment and a trend towards re-establishing the UK as a net exporter of cars.

To try to push sterling down further on the basis of fears of a future balance of payments constraint and hopes of the benefits of yet more devaluation would be foolhardy in the extreme. It is touch and go whether the post-ERM devaluation will allow the chancellor of the exchequer's 1-4 per cent inflation guidelines to be met throughout the next financial year. A further devaluation would put the objective quite out of reach and entrench the UK in the third tier of EC countries, which not merely stay out of the Franco-German hard core, but could not even hope to meet the Maastricht *criteria* for convergence in the middle of the decade.

Yet it would be equally foolhardy to dismiss out of hand the payments worries of Godley, Walton and others, and risk letting the economy run into the buffers yet again in a few years. What is required is a medium-term financial *strategy* which keeps home demand on a tight, but not recessionary, rein. In terms made familiar in the post-1967 devaluation debates, a "hole" should be kept in the economy, which could be filled, if necessary, by exports and imports saving.

The strategy needs, however, spelling out for a world in which the government does not *control resources* directly, but merely influences money flows. I have frequently urged a medium-term objective for the growth of demand in nominal terms – that is in actual cash – at a rate sufficient to sustain a reasonable rate of growth, but not to finance inflation.

The usual way of expressing this objective is in terms of nominal GDP, which is simply the GDP figures as they occur without the customary conversion into real terms. This, however, is only an approximation to the aggregate the government and Bank of England can and should influence, which should be a variant known as "total domestic expenditure". The latter includes all the components of GNP with the exception of net exports. If it is kept to a stable and modest path, there will be room in the economy for an improvement in exports relative to imports.

Let us accept a 3 per cent per annum average annual growth objective for the next few years and take 3 per cent as a reasonable inflation objective. If there were no payments worries, this would point to an average of 6 per cent per annum as an objective for both domestic spending for the next few years.

But in view of payments worries *this objective should* be reduced to 5 per cent. The difference is much more important than it looks. For if inflation continues to average 3 per cent, unused capacity will not be taken up by domestic spending, and will be available to meet overseas demand as that recovers. If the gap is not so filled, the government will be able to take another look at a later date.

The immediate implication is that the government should take the benefit of the present upsurge in sterling, so long as it lasts, mainly in rebuilding the reserves and further reductions in interest rates, even if the latter have to be reversed before long.

If the interest rate cuts required to prevent a sterling overshoot prove too much of a stimulus, so much the better. For it would give the chancellor the perfect pretext to make an early start on the spending cuts and tax increases which will in any case, eventually be required to put the Budget into better shape. But I thought it better to go through the underlying economy-wide arithmetic rather than simply just moan on about the Budget deficit.

LETTERS TO THE EDITOR

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Independence would put principle at risk

From Avinash Persaud.

Sir, Peter Norman's call for an open debate on the independence of the Bank of England (Economics Notebook, January 4) is all the more pressing given that the UK government remains without a credible, medium-term framework for economic policy three months after sterling's departure from the exchange rate mechanism.

What has passed for debate so far has been little more than the populist assertion that politicians cannot be trusted to stand above their narrow political interests. This insidious precept implies the electorate *cannot be trusted to make* choices in its own interests. If the electorate is so incompetent at making choices, why stop at an independent monetary policy; why not an independent fiscal policy too?

Certain characteristics of monetary policy lead many to suggest that it deserves special treatment. However, independence must be seen to pass stringent tests of economic performance before being adopted.

The international evidence remains ambiguous as to the impact of independent monetary policy on easing the burden of disinflation. The country with the best inflation performance among the industrial economies in the past 15 years has one of the least independent central banks – Japan. One of the most dramatic disinflations in the industrial world in the 1980s occurred in a country notorious for politically motivated monetary policy – the UK. In 1992, the independent Riksbank in Sweden was unable to maintain its Ecu link in the grip of intense currency speculation, while this year the G3 country generally forecast to score highest on the "misery index" (unemployment plus inflation) has the most independent of central banks – Germany.

Monetary policy independence is no panacea. The evidence suggests that, on its own, central bank independence is neither a sufficient nor a necessary ingredient of economic success. Independence, then, appears to offer little compensation for the abandonment of an important principle of democratic accountability in public policy.

Avinash Persaud,
senior currency economist,
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100 Liverpool Street,
London EC2M 2RH

Evil destiny of Jabez Balfour

From Ms Janet Cunliffe-Jones.

Sir, I was interested in the article in your centenary issue ("Police hot on the heels of Jabez Balfour", January 4) as Balfour was my wicked great, great uncle. You comment on his talkativeness. His mother commented when he was 10 that she had "never heard anything like him".

I am working on a biography of his mother, Mrs Clara Lucas Balfour, who overcame illegitimacy and childhood poverty to become a travelling lecturer, speaking on temperance, literature, history and the position of women. Her contribution to adult education is now almost unknown. The scandal surrounding her youngest son may be one reason.

Jabez was only five years old when she commented in a letter: "There is very much to fear as well as hope in his case. He will be either good or evil."

If anyone has information on the Balfours, I should be interested to know of it.

Janet Cunliffe-Jones,
9 Elson Road,
Formby, Liverpool L37 2EG

Eyes right

From Mr Bob Cornwell,

Sir, Isn't moving the FT leader from a position on the left to the right of the inside-back pages something of an overreaction to the criticism of your (marginally pro-Labour) editorial last year?

Bob Cornwell,
19 Hawtrey Avenue,
Northolt, Middlesex UB5 5JB

Kenyan elections a significant move towards genuine, multi-party politics

From Mr Michael Power.

Sir, Your leader of December 31 ("Flawed elections") cannot go unchallenged. You say "democracy has lost in Kenya's first multi-party poll in 26 years". You are too quick to judge.

Virtually no one *claims* that the Kenyan general election was perfect and most observers concede that, at the margins, some disadvantage was probably experienced by the main opposition parties. As a move towards multi-party politics, however, the election was a remarkable achievement. Kenya can now hope for an era of much more "transparency, accountability and good governance" in its politics.

With regards to the election results, the following facts need to be recognised:

● Mr Daniel arap Moi won the presidency by a wide margin of more than 530,000 votes; this was 40 per cent more votes than his closest rival and equivalent to more than 10 per cent of the votes cast. His share of the national vote was 37 per cent, not far short of the level achieved in 1992 by Mr Major in Britain or Mr Clinton in the US, except that Moi faced three serious opponents, of whom the weakest, Odinga, still managed to get 17.3 per cent of the vote.

● Moi was the only presidential candidate to achieve the required 25 per cent in five of the eight provinces. Consequently, Moi's claim that he is the only truly national leader as opposed to a tribal leader is not just secure; it is enhanced.

● In parliamentary terms, the simplest way of understanding the Kanu victory is to note that, of the seven largest ethnic groups in Kenya, Kanu had a convincing victory in four – the Kisii, Kalenjin, Mijikenda and Kamba – and a narrow victory in a fifth, the Luhya. This achievement gave Kanu 60 seats in parliament, and outweighed the combined seats of the Kikuyu and Luo communities, which totalled 55. Kanu also did well among many of the smaller ethnic groups. Indeed the only groups Kanu lost outright were the Luos, Kikuyus and the latter's traditional allies, the Embus.

These are the hard psephological facts.

The frustrations of the Kikuyu and Luo communities in Kenya are largely those related to two previously privileged ethnic groups who have discovered that they are not the only "kids on the block".

The Kenyan election tells us that the vast majority of Kenya's ethnic groups have the good sense to want to avoid getting caught in the crossfire between the selfish ethnic ambitions of the Aideeds and Milosevics of this world.

The west should now restore Kenya to its good books and allow it to resume its claim as the country in Africa which "works" and which is determined to lead by example the Dark Continent towards a brighter future.

Michael Power,
PO Box 34956, Nairobi

From Mr M Ngali.

Sir, In your editorial of December 31, you appear to stand alone in your conclusion that democracy lost in Kenya's first multi-party poll for 26 years. On December 29, Kenyans patiently and *peacefully* cast their votes to choose their leader and party. All the observers have, with minor reservations, accepted that this process is a significant step in Kenya's transition to genuine multi-party democracy. You may not agree with the choice or the margins by which the winner won, but that is what democracy is about.

President Daniel arap Moi and the Kenya African National Union won. The democratic thing for the opposition to do is to take their seats in parliament and make their contributions from there.

As you must have observed, defections and counter-defections affected all the political parties, but it seems to me that when candidates defect from Kanu it is acceptable to you, while the reverse is not.

In this particular election, civil servants have not been involved. However, a few individuals, though they are civil servants, made compromising political statements. In these cases, and in accordance with the code of regulations governing the civil service, appropriate action was taken.

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Thursday January 7 1993

Choosing a new governor

THE DEBACLE over the ERM has not led to a serious review of the role and structure of the Bank of *England. It* has led, instead, to gestures in the direction of greater openness that mask what amounts to a prompt return to business as usual. What matters, it appears, is not what the Bank of England is to do and how it should do it better, but who is to be responsible for doing whatever it is to do. It is all too typically British.

In the view of both Whitehall and Westminster, the governorship is more a dignified than an efficient part of the constitution. The Bank may be more palatial. *Its staff* may even be better paid. But it is the Treasury that is supposed to have the brains and certainly has the power. It is hardly surprising therefore that the choice of a replacement for Mr *Robin Leigh* Pemberton is being discussed more as if it were just another horse race than as a mat*ter of real policy* importance.

It need not be this way and certainly should not be this way. Lord Justice Bingham's scathing report on the supervision of BCCI raises pressing questions about *the Bank of England*'s management and its role as a banking supervisor. The ERM saga raises *still* more questions about the Bank's role in the formulation of monetary policy. The appointment *of the new governor* should, above all, send a signal about how such questions are to be answered.

The starting point must be the Bank's mission. "Its core purposes are," it says, "to maintain the value of the currency and the integrity of the financial system and to promote the efficiency of financial markets." This may look logical enough, but the present Bank of England is, in fact, more an historical accident than a logical construct.

Obvious task

Maintaining the value of the currency is, indeed, an obvious task for a central bank. Yet the Bank of England has never held *sole responsibility for that* function. It has either operated within a fixed exchange rate regime or under Treasury tutelage.

This needs to change, not for merely theoretical reasons, nor because central bank independence is at the heart of the Maastricht treaty to which the government says *it is committed*, but because past monetary policy has been so awful. Since the collapse of the Bretton Woods exchange rate system, the pound has lost 85 per cent of its internal value and the economy *has passed through* three agonising go-stop cycles, for each of which monetary policy mistakes were *principally* responsible. Calls for a more independent central bank are a fully justified response *to such failures*.

While the Bank may not have responsibility for monetary policy, it has collected *several others*, instead: as lender of last resort, as banking supervisor and as the voice of the City. Yet there are potential conflicts among these roles. Was one of the reasons for tolerating BCCI not the assumption that the more institutions there are in London the better? Do naive depositors not view supervision by the Bank of England as implying a parallel commitment in its capacity of lender of last resort?

Managerial failures

If the Bank's functions need to be rethought from outside, it also needs to be restructured from inside. If it is to have greater responsibility for monetary policy, for example, it will need a new Court of Directors, one with far greater policy-making expertise.

The new governor himself must be capable of representing and defending the Bank's policy views both in the UK and abroad; he should be able to contribute to a national debate on the proper functions and structure of the Bank; he should be open to new ideas; and he should be able to tackle the managerial failures of the Bank that have been revealed so starkly in the case of BCCI. If such a paragon is not available in the UK, the government should look abroad.

Yet too much must not be made of the appointment itself. Far more important is the government's own attitude to the formation of monetary policy. It has shown itself resolutely determined to persist with a structure in which there are at most two votes that matter, those of the chancel*lor of the exchequer* and the prime minister. What the UK needs, instead, is a central bank that is responsible for monetary stability and a governor who is accountable for failure to achieve it. It would need that if sterling were to rejoin the ERM. It would need it still more if it were not to do so. The question, *this time, must not be* who sits in the Bank of England. It should, instead, be what he will be responsible for doing.

Oil spill in the Shetlands

THE WRECK of the Braer on the *Shetlands is likely to become the* worst pollution disaster the UK has ever experienced. It has already produced *calls for tougher* controls on ships in British waters.

But it would be wrong for the UK to act precipitately, or even to adopt unilateral measures in an *area which requires a high degree* of international co-operation. Although wrecked oil tankers have often been *in the headlines* recently, the underlying trend in oil spills is downwards, and there *is already a body of international* law covering shipping standards and pollution liability.

Nonetheless, the increasing stresses on the oil industry caused by weak oil prices and low profitability are rightly giving concern that shippers are cutting corners in order to strengthen their margins. What we need to know is whether this disaster was caused by culpable negligence, or whether it was an unfortunate combination of bad luck and bad weather.

In either case, some form of regulatory response will be called for. An obvious model for the UK to follow would be the US, which passed tough new legislation in the form of the 1990 Oil Pollution *Act in the wake of the* Exxon Valdez disaster. This set the toughest standards yet in existence: it required ships *to have double* hulls for added strength, and imposed unlimited liability on them for the costs of cleaning *up* any pollution they caused.

At best controversial

But although this hastily enacted law has forced shipowners to take a close look at their operations, *it* is at best controversial, and at worst unworkable, judging by the widely held view in the legal profession *that it* will have to be returned to Congress for redrafting. In particular, the unlimited liability *requirement* has frightened off ship insurers, and encouraged large companies to put "corporate veils" between themselves and their ships to insulate themselves from the liability.

In acting unilaterally, the US has also complicated efforts to create common international regula*tions under the auspices of* the International Maritime Organisation. Given that the Braer was a US-owned, Liberian-registered vessel with a Greek master and an Asian crew, travelling from Norway to Canada, the need for well-defined standards is obvious. It happens that Liberia has a good record both on ship safety and on incident inquiry, and there is no immediate reason to suspect that the Braer was sub-standard. IMO regulations will require all new ships built from next July to have double hulls, and all existing ships to be upgraded by 1995. There are also moves within the IMO to oblige shipowners to put safety on a par with profits in the management of their operations.

Stricter policing

The problem with the IMO, however, is *that enforcement of its* regulations is up to the signatory states – there is no international police force. If the *Braer disaster* leads to stricter policing, that would be welcome. A second weakness of the current approach is the emphasis on the responsibilities of the shipowner rather than the owner of the cargo.

Under present IMO arrangements, a compensation fund financed by oil-importing countries (excluding the US) will pay *up to* £54m for environmental liabilities over and above the vessel's own insurance. This is shortly to *be increased to* £120m. The IMO believes, probably rightly, that this arrangement is preferable to unlimited *liability since* it provides a much stronger guarantee of a pay-out within a reasonable period of time.

Any significant change in the existing arrangements would have to strike a careful balance between the requirements of *safety* and the environment, and the commercial need to ship oil. Braer may, after all, have shown *no more* than that ships can break down, and that bad weather can then hamper a clean-up.

All things in moderation

Economic pressures are prompting Iran to mend fences with the industrialised world, writes **Roger Matthews**

Alongside the toll booths at the end of the three-lane highway from Tehran to Qom, Iran's main centre for theological instruction, stands a huge hoarding proclaiming in English, "Israel must be destroyed". The *meaning* appears clear, but like so much else in Iran today it is now said to be capable of *a different interpretation*.

According to Mr Javad Larajani, educated in Iraq and California, a *member of parliament and special* adviser on foreign relations to President Ali Hashemi Rafsanjani, the *one thing it does not mean is* that Israel should be literally removed from the map. All it means, he says, *is that the* "racist and religious ideas" that lie behind the state of Israel, just like those of apartheid *which characterised* the regime in South Africa, should be destroyed.

Mr Larajani is regarded in Tehran *as* a prime example of the new breed of younger politicians promoted by Mr Rafsanjani to promote *a more pragmatic* Iranian view of the world. After more than a decade of revolution, war, and being *painted as the maverick of* international politics, Iran is in the midst of a complex political adjustment. *While remaining true to its Islamic* principles, it is trying to win the confidence of the industrialised world to gain *access to the* technology and capital required for the reconstruction and modernisation of the economy.

Much of the most visible fire has gone from the revolution that overthrew Shah Mohammed Reza Pahlavi in 1979. One foreign diplomat described the country as in a state of national amnesia. Few people wish to recall the bitter struggle for power between the clergy and their former allies the extreme left-wing Mujahadeen-e-Khalq, and the shocking toll of the eight-year war with Iraq which, when it ended in 1988, had cost more than 1m lives. Measured in terms of active domestic political opponents, the regime has never appeared so secure.

Violent political challenges are still possible but the durability of Iran's clerics is rapidly being tested in more sophisticated and demanding ways. Mr Rafsanjani and Aya*tollah Sayed Ali Khamenei*, the country's spiritual leader and successor to Ayatollah Khomeini, have yet to prove that the world's only Islamic republican government can match the material aspirations of about 60m people, that it can administer the machinery of state, and ultimately that it can surmount the divisions within the administration which threaten the modernisation process.

How the regime responds to these challenges will have an importance stretching well beyond Iran. Its successes and failures will provide ammunition for other struggles being mounted by fundamentalist groups trying to overthrow existing governments. Regimes in the Middle East, such as Algeria and to a lesser extent Egypt, accuse Iran of aiding Islamic dissidents. In the newly-created central Asian republics, Iranian envoys have been building political and economic ties. In Sudan and in the West Bank and Gaza, the Arab territories occupied by Israel, the role of Iran is said to be becoming more influential.

America's Central Intelligence Agency and Mr Robert Gates, its director, sharpened international *fears last month by highlighting* Iran's nuclear ambitions, suggesting that it might have a nuclear bomb *by the end of the century. Some* officials in Tehran believe that Iran and Islam are being set up as the *replacements for the Soviet Union* and communism in the lexicon of American demonology.

So diverse are the official voices heard in Tehran that there is evidence to support almost any theory. *Listening to* Ayatollah Khamenei on the role of the US and Britain it sounds as if Iran and other large parts of the developing world are the continuing victims of the most pernicious conspiracy. The Tehran Times, the English language daily sometimes seen as a mouthpiece for moderation, recently provoked the withdrawal of Egypt's senior diplomat in Iran by suggesting that President Hosni Mubarak should be violently removed from office.

Buildings damaged during last year's rioting in Mashhad, anti-American demonstrations at Tehran university, and President Ali Hashemi Rafsanjani, right, who has eased out his most hardline critics

Mr Larijani, on the other hand, talks about international compromise, understanding, and mutual respect. He proposes a conference of British and Iranian intellectuals to discuss the problems of Mr Salman Rushdie, sentenced to death for purportedly insulting Islam in his book Satanic Verses.

An hour with Mr Akhbar Tourkan, who must be a leading candidate for the title of the Middle East's most conciliatory Minister of Defence, creates the impression that Iran, so recently at war, has rarely felt less threatened. "We have no enemies," says the minister. As a result Mr Tourkan says he can manage with one of the smallest mili*tary procurement budgets in the* Gulf of about $1bn a year.

Measured solely in terms of active domestic political opponents, the regime has never appeared so secure

One conclusion to be drawn from *all this is that Iran, having defined* itself primarily in terms of what it is against, is having greater prob*lems in deciding what it is for. After* the parliamentary elections last spring, many international observers were confident that a new political trend had emerged. Mr Rafsanjani had successfully eased out his most vocal, hardline critics and had replaced them with MPs of relatively liberal orientation. Iran's re-entry into international life would now accelerate in tandem with its economic development.

This assessment has been proved at least temporarily wrong, not because Mr Rafsanjani's objectives were incorrectly interpreted but because of the changing pressures on the regime. A particular revelation last year was the extent to which the government felt obliged to meet consumer demand, a commitment reinforced by riots in Mashhad and other cities during the summer. The immediate cause of the disturbances is said to have been harsh official action against squatters, but there is no denying the pain that inflation and unemployment, both running at about 20 per cent, is causing.

Sitting behind his desk in Qom, Grand Ayatollah Makarim Shirazi, a *leading Shia jurist*, refuses to accept even the concept of a division between people and the clergy. "The government is Moslem and the people are Moslem. There is no possibility that the people might revolt. They would understand the problems and appreciate that the government is seeking to resolve *them*." *Mr Rafsanjani* and the members of the Majlis (parliament) appear less sure and are taking serious risks with longer-term health of the economy to forestall any further confrontations on the streets.

Even before the disturbances there was evidence that the authorities, and in particular the central *bank, had partially lost control of* the economy. Encouraged by the brief surge in oil prices which followed *the Iraqi invasion of Kuwait* in August 1990, Iran cast spending caution to the winds. The trade defi*cit in the financial year to the end* of March 1992 is estimated at about $10bn, exacerbated by the central bank's decision to allow the commercial banks to open letters of credit without supervision.

With oil revenues this year unlikely to top $17bn it is not surprising that longer delays in payments are being experienced by foreign suppliers. Officially the delays are described as technical hitches and it is said that the payments backlog on letters of credit should be resolved within three months. Central bank officials have been reassuring foreign bankers that Iran has more than enough reserves to cover the payments deficit, but needs the liquidity to support the rial when the official exchange rate is floated later this year. Both assertions are open to doubt.

Some bankers fear that Iran has already done serious damage to its international creditworthiness. More than $2.5bn is overdue on letters of credit, some of it by up to four months, and unofficial estimates suggest that there is another $7bn-$10bn in the pipeline with particularly severe bunching at the end of the current Iranian financial year. Several national export credit guarantee organisations are urgently reviewing their policies towards Iran and there are possibilities that cover could in some cases *be withdrawn*.

Some bankers fear that Iran has already done serious damage to its international creditworthiness

One avenue of escape for Iran would be to convert some of its *short-term commitments into* medium and long-term debt, but this would have to be backed by sovereign guarantees. The central bank and the Ministry of Finance are balking at such a step, in large part because the issue would have to be brought before the parliament which is politically sensitive to foreign indebtedness. It is also probable that the parliamentdoes not know how substantial the debt arrears are.

Some Iranians argue that Mr Rafsanjani could force acceptance of sovereign guarantees through the Majlis, but watching him deliver his two-and-a-half hour budget speech last month was to appreciate how little he intimidates the assembly. At most times the chamber was only two-thirds full, MPs chatted among themselves as the speech was delivered, and a couple of times the president was mildly barracked for taking so long.

The Ministry of Finance argues *that the external payments situa*tion will ease soon because 50 per cent fewer letters of credit have *been issued in the current financial* year. However all the visual evidence is that Tehran and other cities are *still* caught up in a consumer boom of considerable proportions. Shops are bulging with everything from perfumes to western fashions, most of which can never be worn in public, and from BMWs to video players, which are *illegal* but sold in their hundreds of thousands. Although most of the population is too poor to do more than gaze at the shop windows, the displays symbolise an end to the misery of the 1980s.

With Mr Rafsanjani due to face a presidential election in June it is not a symbol that he wants to tarnish, whatever the consequences for Iran's international credit rating and the negotiations to secure loans needed to launch large-scale infrastructure projects.

He also is unlikely, or unwilling, to check the relentless quest for additional sources of income from officials whose *salaries* alone are too modest for them to participate in the consumer boom. Although *this has always been part of the* Iranian way of doing business, those who have long associations with the country say that it has now reached epidemic proportions. One local businessman commented: "In one sense it is worse than before the revolution because so many more people are involved. Everyone is trying to extract money from the system and too few people care whether what they are doing is of any value to the country."

Optimists who were chastened by the speed with which the political pendulum swung against the liberal trend following the parliamentary elections, are also watching anxiously the reappearance of the *baseej*, the irregular shock troops of the revolution. Under the ultimate command of the Ayatollah Khamenei, they are making their presence felt at checkpoints at night in Tehran and their activities could be linked to the the re-emergence of what some Iranians identify as hardline shadow organisations within government ministries.

The complexity and obscurity of this continued jostling for influence in Iran will continue to pose hard problems of interpretation for western leaders and businessmen. With sustainable oil production targeted to reach 4.5m barrels a day later this year Iran's export earnings make it an attractive market, but only among the most courageous can it yet be seen as an investment opportunity. Its recently exposed lack of financial management and its willingness to put consumer demand ahead of urgently needed reconstruction projects underlines the need for caution.

It may also serve to put into perspective the more alarmist American predictions about Iran's inter*national ambitions. The revolution* lives in the rhetoric of the country's leaders, but there are no queues of *young men volunteering to fight in* Bosnia. And as one senior *official* pointed out, huge stockpiles of *nuclear weapons did not* save the Soviet economy from disaster. In Tehran there seems a growing *appreciation that the longevity of* the regime will be decided within Iran's borders, not by its success in exporting revolution.

The new Clinton administration and western European governments will make their own contribution to the evolution of Iranian politics. President Rafsanjani suffered domestically from the west trumpeting its belief in his moderation so loudly. Similarly, renewed efforts to cast Iran as a radical threat to western interests and Gulf stability will assuredly strengthen the most revolutionary elements in Tehran. Probably there is little the west can do that is guaranteed to assist Iran's pragmatists. But there is much it can do to sustain their enemies.

OBSERVER

Diplomatic choice

■ *There is nothing like a royal* wedding to buck up the masses. Japan's Crown Prince Naruhito has *done* his bit to reform the tradition-bound Imperial Family by choosing a thoroughly modern, *multilingual*, 29-year-old diplomat as his bride, and presumably the country's next empress.

The 32-year-old prince is to marry Masako Owada, a graduate of Harvard and Oxford, and the *daughter of vice foreign minister* Hisashi Owada. As well as much rejoicing by Japanese television *hosts* and *newspapers, the* announcement was greeted with enthusiasm by business leaders such as *Gaishi Hiraiwa, chairman* of the Keidanren.

Many Japanese had feared that the crown prince would be condemned to bachelorhood, as potential brides balked either at the massive media coverage that his attentions generated or at the *thought* of a life of refined confinement behind the palace walls. The present empress, *Michiko, also a* commoner, is known to have had a tough time adjusting to the conservative ways *of the Imperial Household Agency*.

But the crown prince's choice of a tennis-playing environmentalist was generally *interpreted by* ponderous Imperial Household-watchers last night as a sign that he intends to make the family less cloistered and more international, a *not so easy task for the heir to* a chrysanthemum throne still ascribed supernatural powers by *Shinto theology*.

Buba relaxes

■ Proof that the Bundesbank president is human after all? Officially in Oslo yesterday to hold forth again on the subject of German monetary policy. Schlesinger's thoughts had been on higher things. He had arrived secretly a day earlier intent on renewing his acquaintance with childhood hero Birger Ruud, the *two-time double* Olympic ski-jumping gold medallist.

A celebrity in Germany in the *1930s, Ruud had once recounted* his tales to a Bavarian audience that included the bright-eyed 12-year-old *Helmut*. Nearly 60 years later, Europe's monetary Cerberus requested another meeting. So Ruud gave him the grand tour of his ski museum and presented him with a 1994 Norwegian winter Olympic gold coin.

Holiday gossip

■ Hard to believe, but Lancashire seems set to become the holiday capital of Britain. Admittedly, *Blackpool doesn't attract the* trippers like it used to, and Southport and Morecambe have

"I got caught in the crossfire of the holiday price war"

seen better days. But when it comes to organising the holiday business, Lancashire is where it's all happening.

Airtours' £221m bid for Owners Abroad is just the latest example. David Crossland, Airtours' 46-year-old chairman who works out of a refurbished mill near Pendle Hill, left school with hardly an O level to his name. Today, he is worth over £100m and carving up the package holiday industry in much the same way as the cotton *magnates of yesteryear* used to divide up the empire.

A few miles down the road at Chorley, *Trevor Hemmings runs* Scottish & Newcastle's fast-growing leisure division which owns Center Parcs and Pontins. Hemmings started as a builder's apprentice *in Leyland and is now worth over* £100m, tied up mainly in S&N shares he took when he sold Pontins. Richard Atkinson, founder of Manchester's Eurocamp, is not yet as wealthy as the other two but then he started later.

So what's the secret? Crossland, anxious not to be compared with fallen leisure superstars, like Sir Freddy Laker or Harry Goodman, stresses that unlike them he has "stuck to his last" and brought in professional managers. Anything else? "It's a lot colder up there." jokes Crossland.

Nothing ventured

■ So you want some venture *capital? Knowing what not to do* when seeking help from a venture capitalist can be as important as knowing what *to do, according to* Gresham Trust boss Trevor Jones, who has compiled his own handy checklist.

You do not: ask your accountant to write the business plan; omit the last set of audited accounts; forget to put in the management team's CVs; tell the venture capitalist the terms you think he should offer; refuse to invest in the business you run; talk about how much equity you are prepared to "give away"; forget to say how *much money you need and why;* and assume all investors want an exit in five years.

Observer offers £25 of "seed capital" for an entrepreneur who *can suggest the seven best ways* to persuade a venture capitalist to back you. Answers by mail, or fax to 071-873 3926 – not telephone, please.

Tunnel vision

■ Why on earth wasn't London's Aldwych tube station not closed before now if only 450 people a day were using it?

London Underground says it cost more than £200,000 a year to operate the station and the spur line from Holborn, and yet the station only took £53,000 a year in ticket sales. Leaving aside the fact that most tickets would have been sold whether or not this particular *station was open, it seems that* London Underground was happy to bear the losses, equivalent to *more than £300 a year per* passenger.

A fleet of taxis could have conveyed the regulars the few hundred metres down Kingsway more cheaply and probably more quickly, too. If London Underground knew that these were the costs, why did they wait until the present funding crisis to end this ludicrous subsidy to a few office workers in the Temple and Covent Garden?

Sir Wilfrid Newton, the *Underground's newly knighted* chairman, has some explaining to do.

FINANCIAL TIMES
Thursday January 7 1993

Gulf war allies want anti-aircraft missiles withdrawn from protective zone

Iraq to face 'no-fly' ultimatum

By George Graham in Washington

THE US and its allies are preparing to demand the withdrawal of Iraqi anti-aircraft missiles and radar from the protective zone set up by the United Nations in southern Iraq.

The ultimatum, likely to be delivered by the US, the UK and France, together with some of the Arab countries that joined the Gulf war coalition in 1990, could set a 48-hour deadline for the removal of the missile batteries.

President George Bush briefed congressional leaders yesterday on the latest battle of wills with President Saddam Hussein of Iraq, and White House officials said the US was considering "various options" for enforcing the UN resolutions against Iraq.

Allied officials have been in close consultation over the past 10 days since US fighters shot down an Iraqi aircraft which had encroached on the no-fly zone established by the UN in August south of the 32nd parallel to protect the mostly Shia population of southern Iraq.

Pentagon officials said Iraq had been moving missiles along the 32nd parallel – not in itself prohibited by the UN resolutions – and "teasing the line" by flying near or just into the the no-fly zone. They said they could not confirm any incidents of allied aircraft being "painted", or targeted by anti-aircraft radar.

Mr Bob Hall, a Defence Department spokesman, said "painting" would be regarded as putting US pilots at risk, and would not be tolerated.

"We have made it very clear to the Iraqis that we are determined to enforce the no-fly zones, we will enforce the no-fly zones, we will do it in the safest possible way for our pilots and we will not allow them to be put at risk," he said.

Mr Hall said no significant activity had been observed in the no-fly zone established north of the 36th parallel to protect the Kurdish population.

The test of wills between Iraq and the west is the latest in a sequence of confrontations since Mr Saddam capitulated to the UN's ceasefire conditions at the end of Operation Desert Storm. So far, Mr Saddam has backed down after pushing the western allies to the brink, in a pattern that US diplomats describe as "cheat and retreat".

In April, US, French and British diplomats issued an ultimatum to Iraq's UN ambassador demanding the withdrawal of Iraqi anti-aircraft batteries from the northern no-fly zone after battery radars had "painted" allied aircraft.

In July, the allies again threatened a military strike in a showdown over Mr Saddam's refusal to allow UN weapons inspectors access to the agriculture ministry in Baghdad, believed to house documents on Iraq's ballistic missile programme.

It is not clear whether the movement of missiles in the south merely continues this pattern, or moves beyond it in an attempt to test the resolve of the incoming administration of Mr Bill Clinton.

Mr George Stephanopoulos, Mr Clinton's spokesman, said Mr Saddam "should take no comfort in the fact that Bill Clinton is heading towards the presidency".

Kinkel agrees to stand as leader; Rexrodt may be economics minister

Relief as German FDP finds itself a new crown prince

Foreign minister Klaus Kinkel (left): willing to stand as FDP leader

By Quentin Peel in Stuttgart

THE great and good of Germany's troubled Free Democratic party descended on Stuttgart for their traditional Epiphany rally yesterday, ostensibly in search of three wise men. They came away with a crown prince, if not two.

Mr Klaus Kinkel, top civil servant, one-time boss of the German intelligence service, now transformed into foreign minister, finally let it be known that he was willing to stand as the new party leader this summer.

His decision was greeted with obvious relief and prolonged applause in the packed rows of the monumental state opera house, if not quite universal acclamation.

He has, after all, been a full member of the party for rather less than two years. Yet he is undoubtedly seen as a great white hope by many members of the FDP, the liberal minority member of Chancellor Helmut Kohl's ruling coalition.

The party has been battered in a series of local elections, and then rocked by the scandal which forced Mr Jürgen Möllemann – the man who might have been an alternative leader – to hand in his resignation as economics minister at the weekend. It urgently needs new blood to revive its public standing, and it seems to think the refreshingly blunt and often undiplomatic Mr Kinkel is what is needed.

The second crown prince, who was not really confirmed, except by the incessant attention of photographers and TV cameras, was Mr Günter Rexrodt, the man now regarded as most likely to be put forward as the new economics minister.

Formerly the senator responsible for finance in the Berlin city council, then chairman of Citibank's subsidiary in Frankfurt, and now a board member of the Treuhand privatisation agency in the former East Germany, Mr Rexrodt was available for pictures but not for comments.

The party leadership and members of parliament will decide on whom to put forward tomorrow.

If Mr Rexrodt was silent, Mr Kinkel was certainly not. He delivered an hour-long address on "liberalism in the 1990s", to demonstrate to any remaining doubters his command of the full range of party policy.

His most thoughtful remarks were on the subject of German identity, and the difference between the dangers of nationalism, and the alternative of "honest patriotism". His most passionate words were to condemn all forms of racism and rightwing extremism.

He gave a grim warning that Germany had once again reached a critical point in its history – as critical as in 1945. "The confidence of our citizens in politics has reached a new low," he said. "Abroad, they are asking the question whether we are still reliable democrats ..."

"There is no cause for exaggerated fears, but there is reason for concern and careful thought. What is needed is political, spiritual and moral leadership, which will give our people back a confidence in their future, and will not gamble away Germany's reserves of trust abroad."

As for the ruling coalition, he pledged his firm loyalty to it – no doubt reassuring words for Mr Kohl. But he warned that the combination of financing east German recovery, cutting the budget deficit, controlling immigration, fighting extremism and organised crime, meant the government faced greater challenges than any since the first governments after the war.

Job cuts may bury French Socialists

By William Dawkins in Paris

THE LATEST job losses at Peugeot have set the scene for increased tension between employers and a French government desperately seeking to save face before the parliamentary election at the end of March.

The loss of almost 2,600 jobs at the French carmaker, announced this week, is only the most recent in a grim series of industrial job cuts expected to reach a record 600,000 when the final toll for 1992 is counted. By the first 10 months of last year, the total had reached 436,000, 12 per cent more than the same period in 1991.

Most of the big names in French business have been forced by the economic slowdown to cut their workforces, including Aérospatiale, the aerospace group, Renault Véhicules Industriels, the truckmaker, Bull and IBM France in computers and Usinor Sacilor, the steel group.

All this could not have come at a worse time for the administration. The Socialists' inability to turn back unemployment, now just short of 3m, will be the big theme in the election, in which the latest polls indicate the government is set for a thrashing.

The growing army of jobless, 10.4 per cent of the workforce at the latest count, is the one issue threatening the cross-party consensus on the need to defend the franc and has been earmarked by right and left as the main battleground for the election campaign.

"I think nobody would dream of attacking social achievements," President François Mitterrand said in his traditional new year address, in a clear attempt to hold the high ground on social policy against an incoming rightwing government. Mr Jacques Chirac, leader of the RPR Gaullist party, hit back by claiming that social achievements had been "deeply called into question for the past several years" and warned that he would fight to restore the balance.

Both right and left feel uncomfortably short of answers to unemployment on which fringe parties such as the ecologists and National Front have capitalised.

"Companies are making job losses too soon, too fast and too hard," complained Mrs Martine Aubry, the labour minister, on the day of the Peugeot job losses. She inflamed the Patronat employers' organisation by accusing it of being politically biased and calling on it to "speak to companies which abuse the use of job losses". Her plans for increased job sharing, reviewing high social charges and improved training have failed to impress employers.

A related irritant in relations between the state and private industry has been the wrangle over who will bail out the Unedic unemployment pay system. It is jointly funded by employers and unions and designed to pay redundant workers for a period before they receive state benefits, but is nearing bankruptcy, partly because of a sharp rise in the number of people coming off state-funded temporary work. Yesterday, Mrs Aubry unwillingly compromised by agreeing to contribute FFr3.25bn ($600m) to Unedic's FFr23bn deficit.

The Patronat, already internally divided over the merits of the government's tough exchange rate policy, is deeply worried over just where the debate over unemployment will lead. Already the Socialists have taken practical steps to clamp down on layoffs, by passing a law just before Christmas which strengthened the employers' obligation to help redundant workers find new jobs or risk having the job losses overturned by the government.

The Patronat argues that France has almost returned to the rigid old system whereby redundancies had to be cleared by the public authorities, abandoned by the last Gaullist government in 1986. "It is a major step backwards," said one Patronat official yesterday.

Irish overnight rate

Continued from Page 1

times interpreted as a sign that there will be no change in rates.

Speculation of a possible easing in German rates continued to help sterling. The pound gained another pfennig against the D-Mark, closing at DM2.52, after gaining nearly 6 pfennigs the previous day. But sterling was slightly weaker against the dollar, closing at $1.5420 against $1.5455 on Tuesday.

The punt closed in London at BFr53.90 and Fl 2.9505.

The selling of punts followed two days of relative calm since Ireland lifted its exchange controls at the beginning of the year.

Dealers said selling of the punt had been exacerbated by doubts about the Bundesbank's intentions on interest rates and uncertainty about whether a new coalition government would continue to maintain the punt's parity within the ERM.

Some also pointed to remarks made on Monday evening by Mr Ahern that the coalition might have to review the country's exchange rate policy if pressures in the EMS continued.

CS completes agreed bid

Continued from Page 1

National Bank, as an important step towards eliminating excessive capacity in the Swiss banking industry. According to a May 1992 study by consultants McKinsey & Co, one in every 67 inhabitants is a bank branch employee.

Mr Gut was vague about rationalisation plans, saying only that "disagreeable measures are sometimes inevitable". Analysts said branches of the two banks overlapped in more than 100 locations. Investors were unenthusiastic about the deal, pushing down the CS Holding bearer shares from SFr2,170 on Monday before the group indicated its interest, to SFr1,980 at yesterday's close. Analysts said the issue of shares to pay for the takeover would dilute CS earnings this year by about 10 per cent. On the other hand, the purchase price discount to Volksbank's net asset value of SFr2.2bn would boost CS equity.

It emerged that both CS and Union Bank of Switzerland had been invited by Volksbank last month to submit takeover bids.

World Weather

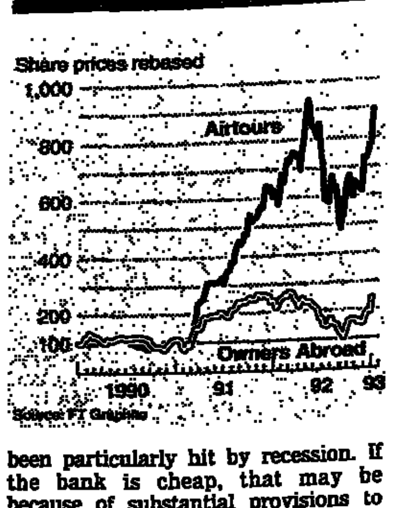
		°C	°F
Ajaccio	S	13	55
Algiers	C	10	50
Amsterdam	C	9	48
Athens	Sl	3	37
Bahrain	C	21	70
Bangkok	F	32	90
Barcelona	S	11	52
Beijing	S	0	32
Beirut	S	16	61
Belfast	F	3	37
Belgrade	S	-7	19
Berlin	R	4	39
Biarritz	S	14	57
Bombay	S	30	86
Bordeaux	F	13	55
Boulogne	Dr	10	50
Brussels	Dr	9	48
Budapest	S	-3	27
Buenos Aires	F	33	91
Cairo	S	18	64
Cape Town	S	26	79
Caracas	F	28	82
Casablanca †	S	16	61
Chicago †	C	-7	19
Cologne	Dr	7	45
Copenhagen	C	3	37
Corfu	S	11	52
Dallas †	C	6	43
Dublin	F	5	41
Dubrovnik	S	13	55
Edinburgh	F	5	41
Faro	S	14	57
Florence	S	10	50
Frankfurt	C	5	41
Geneva	F	4	39
Gibraltar	C	14	57
Glasgow	F	6	43
Helsinki	C	3	37
Hong Kong		–	–
Innsbruck	S	-1	30
Inverness	S	5	41
Islamabad	C	12	54
Istanbul	Sn	2	36
Jakarta	R	30	86
Johannesburg	S	29	84
Lisbon	S	10	50
London	C	12	54
Los Angeles †	R	8	46
Luxembourg	Dr	4	39
Madeira	S	19	66
Madrid	S	8	46
Majorca	S	12	54
Malaga	S	14	57
Malta	R	10	50
Manila	C	31	88
Melbourne	C	16	61
Mexico City	C	23	73
Miami †	S	21	70
Milan	S	4	39
Montreal †	Sn	-7	19
Moscow	F	-9	16
Munich	C	3	37
Nairobi		–	–
Naples	S	9	48
Nassau	C	28	82
New Delhi	F	16	61
New York †	F	2	36
Nice	S	13	55
Nicosia	F	12	54
Oporto	S	14	57
Oslo	S	6	43
Paris	C	8	46
Prague	R	1	34
Reykjavik	F	2	36
Rhodes	F	9	48
Rio de Janeiro	F	36	97
Rome	S	11	52
Salzburg	S	3	37
S'Francisco †	R	5	41
Seoul	Sn	1	34
Singapore	F	29	84
Stockholm	F	5	41
Strasbourg	C	7	45
Sydney	C	22	72
Taipei	C	22	72
Tangier	S	16	61
Tel Aviv	S	18	64
Tenerife	F	20	68
Tokyo	F	9	48
Toronto †	F	-2	28
Tunis	F	15	59
Valencia	S	11	52
Venice	S	7	45
Vienna	F	-3	27
Warsaw	R	0	32
Washington †	F	4	39
Zurich	F	6	43

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Air raid

FT-SE Index: 2826.0 (-7.6)



Airtours has established a reputation as a highly efficient tour operator which has successfully developed its business by means of solid organic growth. So it seems odd the company should depart so sharply from past practice by launching a large hostile bid. The argument is that acquisition of Owners Abroad represents an unrepeatable leap in Airtours' development. It would double Airtours' market share, provide a snug geographical fit and yield substantial economies of scale. Coincidentally or not, it would also forestall the emergence of a formidable adversary by wrecking the proposed alliance between Owners and the German LTU Group.

But despite the obvious attractions, it is easy to see why the market wobbled when considering the implications of the bid. Airtours is offering only 10 times Owners' earnings and will probably have to raise its offer to succeed, increasing the financial risks. If the bid succeeds, the aspiring upstart can also expect to fly into considerable turbulence created by Thomson. The industry leader's habit of launching aggressive price wars to defend its market share would hit the expanded Airtours at a particularly sensitive time.

There is also the ticklish question of the competition authorities. They may conclude that two strong competitors would benefit consumers. Equally, they may balk at Thomson and Airtours controlling 60 per cent of the market. In short, the deal represents a big, if calculated, gamble in a sector notably harsh on losers. Airtours still has some convincing to do that it has correctly calculated the odds.

CS/Swiss Volksbank

CS Holding's offer for Swiss Volksbank has echoes of Lloyds Bank's ill-fated bid for Midland. The difference is that CS has the support of the national authorities, but the principle is the same – that rich pickings should accrue to those who can rationalise a domestic retail network in an overbanked market. Since CS is likely to carry off Volksbank at a discount of nearly 30 per cent to stated book value, it seems on to an extraordinarily good thing.

The doubts begin with uncertainty about the quality of Volksbank's loan book. Volksbank was not only caught out unexpectedly last year with a $73m exposure to the Maxwell empire. It is also heavily exposed to small and medium-sized companies which have been particularly hit by recession. If the bank is cheap, that may be because of substantial provisions to come. Besides, the rationalisation could be slow, expensive and painful in a country facing high unemployment for the first time in generations.

The acquisition could thus be heavily dilutive, although the additional Swiss assets may help offset the impact of the rising dollar on CS capital ratios. In the longer term the benefits of eliminating a large player in the local market will also accrue to the other two top banks which will not have faced any of the costs.

UK accounting

Continental European companies have long adjusted their accounts to show a steady growth in reported earnings. The absence of hidden reserves in the UK may limit the scope for smoothing, but not the desire. Until they were curtailed by the Financial Reporting Standard 3 (FRS3), management latitude to classify items as exceptional or extraordinary left opportunities to massage earnings figures.

According to research by Vivien Beattie of the University of Southampton and others, due to be published soon in the Journal of Business Finance, particular types of companies have a weakness for smoothing. Those with volatile earnings try to even out the figures to make their profits appear more consistent and thus more highly valued by the market. If dividend cover is low, smoothing may help generate the impression that the payment can be maintained. And while managers with options might be thought to favour share price volatility, their interest is better served by a smoothly rising share price and high market rating. Ownership and control are also important. If the shares are widely spread, managers are tempted to smooth and improve the company's rating. Only when management owns a substantial equity stake does the habit die out.

All of this is driven by the desire to remain in control and get richer. Interestingly, although incentives such as share options are intended to identify managers interests more closely with shareholders, they may not be effective: managers seem to account differently when they actually are owners. And if self-interest is one determinant of accounting policy, the drive to smooth earnings is unlikely to be stopped by FRS3. The methods, though, may get more crafty.

London & Provincial

The UK mortgage debenture market took heart from yesterday's deal allowing holders of the £135m London & Provincial Shop Centres issue to exit for 95p in the pound. That was much more than many had expected, but it would be rash to conclude that a similar outcome awaits investors in any future defaults. The size of the payment to stockholders depended on the skill and determination of large institutions in negotiating with Citibank, the company's main banker.

Citibank is acquiring the mortgage property at less than its "willing buyer" valuation but it is taking substantial additional risk. It could hardly recover the price if it were compelled to sell in today's depressed market. Other bankers in a similar position will see in yesterday's market relief a good reason for being less generous.

The true lessons from London & Provincial are, first, that defaults can happen and, second, that better arrangements are needed to protect stockholders when the value of the security starts to fall. Law Debenture Trust, the trustee in this case, has been far too passive. It argues that an earlier valuation of security would not have been in stockholders' interest, because it might have led to a receivership. But its concept of stockholder interests is a subjective one, resting heavily on confidential exchanges of information with the borrower. Trustees need a better defined role giving them clout and the obligation to exercise it if they are to help make the market a safer place.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday January 7 1993

INSIDE

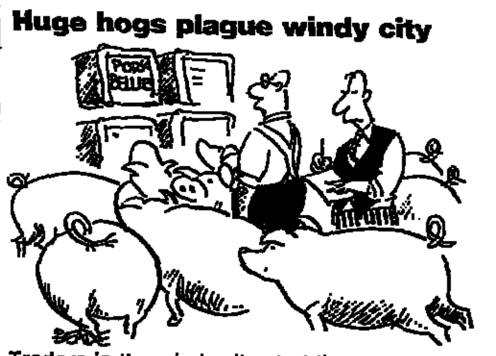
United Airlines to axe 3,000 jobs

United Airlines, one of the three largest US carriers, is to axe almost 3,000 jobs, cut managers' salaries by 5 per cent and reduce its flight schedule. The airline's parent company, UAL, said the measures were aimed at reducing annual expenses by around $400m in the hope that it can claw its way back to profitability. The Chicago-based company warned yesterday that it would post a "large" fourth-quarter deficit. Page 14

Property investors turn cautious

North American property investors are insisting on tighter safeguards to avoid a repetition of the acrimony and financial loss that marked last year's collapse of developer Olympia & York. Heightened caution is reflected in a pioneering mortgage bond issue, completed by two Canadian securities dealers for a hotel and government office complex in Ottawa, that includes provisions to ensure the building's owners cannot hold up rental income. Page 14

Huge hogs plague windy city



Traders in the windy city start the year facing a boom in US livestock production, a factor that will pressure Chicago cattle and pork futures prices. Cheap feed grains mean production of US beef, pork, and poultry is likely to be at record levels this year. Page 18

AT&T networks with Novell

American Telephone and Telegraph, the US telecommunications company, has formed an alliance with Novell, the leading computer networking software supplier, to develop and market products linking computer networks with telephones. Products resulting from the joint efforts will "bring the power of computer-telephone integration to desktop computers" the companies said yesterday. Page 14

Court ruling hits Pfizer shares

Shares in Pfizer fell $2½ to $67⅜ — about 3.6 per cent — yesterday morning on news that a California appeal court had opened the door to lawsuits from out-of-state recipients of the company's Shiley heart valve. Pfizer, one of the fastest-growing US pharmaceutical companies, has been trying to put the Shiley litigation to rest for several years. Page 14

Stanhope losses reach £215m

Exceptional items of £184m ($284m) elated to write-downs on property pushed pre-tax losses from £77.4m to £215m at Stanhope Properties in the year to June 30. Net asset value fell from £391m to £42m. The company has concluded a refinancing of its bank debt, to be reviewed in 1994, without which the decline in asset value would have resulted in breaches of loan covenants. Page 16

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Aachen Mch Reg	820	+	37
Colonia Knzn Pf	450	+	20
Heldelb Zem	855	+	30
Industrie Werke	272.5	+	7.5
Falls			
Hortan	142	−	8.5
Lahmeyer	620	−	20

NEW YORK ($)

Rises			
Chrysler	35¾	+	2⅝
General Motors	33⅞	+	⅝
Falls			
Amer Brands	38⅛	−	⅞
Pfizer	67⅜	−	2½
Philip Morris	70¾	−	2¾
RJR Nabisco	8¼	−	¼

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Audit Entrepr	265	+	10
Fin Poliet	450	+	31
Imm de France	600	+	40
Falls			
Bongrain	3006	−	124
Euro RSCG	406.2	−	17.8
SILIC	565	−	24

TOKYO (Yen)

Rises			
Sankyo Seiki	515	+	39
Showa Rubber	225	+	25
Teikoku Sen-I	315	+	38
Falls			
Arai-Gumi	1500	−	150
Asics	420	−	43
New Tachikawa	1860	−	150

LONDON (Pence)

Rises			
Banks (S.C.)	172	+	10
Bedford (W.)	18	+	3
Billam (J.)	142	+	12
Boustead	20	+	3
Chesterfield P	230	+	32
Contac	24½	+	6½
Corp Services	10½	+	2
Evans Halshaw	238	+	29
Hollas	16½	+	2
ICI	1109	+	24
Intl. Food	68	+	7
Kleen-E-Ze	98	+	10
Kwik Save	803	+	17
Lister	22	+	5
Lookers	108	+	8
Owners Abroad	120	+	11
Riva	24	+	3
Senior Eng.	65½	+	5½
Speyhawk	15½	+	2
Tesco	271½	+	13½
Vickers	120	+	10
Falls			
Airtours	302	−	19
Bredero	20	−	3
Brit. Airways	288	−	20
Flextech	81	−	5
Grand Met.	447	−	11
Laporte	613	−	16
ML Labs.	1123	−	37
Savills	38	−	3

GE Capital expands in fund management

By Martin Dickson in New York

GE CAPITAL, the fast-growing financial services arm of General Electric, is to expand into the wholesale annuity and mutual fund business through the purchase of GNA Corporation from forest products group Weyerhaeuser for $525m in cash.

Weyerhaeuser will assume GNA's outstanding $225m of borrowings.

GNA writes and markets tax-deferred annuities and wholesales proprietary and third-party mutual funds through financial services companies, such as commercial banks and savings and loans.

Mr Gary Wendt, chief executive of GE Capital, said that GNA was a leader in "one of the fastest-growing segments of financial services – pre-retirement savings plans. As ageing baby-boomers augment their retirement savings, this market could more than double in size before the year 2000."

For Tacoma-based Weyerhaeuser, the deal is a further stage in the refocusing of the company.

It instituted a wide-ranging "business improvement plan" in 1989, which involved shedding peripheral assets and raising the financial returns of its core businesses.

GNA, founded in 1980 and bought by Weyerhaeuser three years later, sold products last year with a gross value of $3.2bn. It contributed $421m, or about 5 per cent, of Weyerhaeuser's 1991 group revenues.

Weyerhaeuser said yesterday it had not been offering the business around, but was willing to sell because GE Capital would provide the financial resources GNA needed to take advantage of its market position. Weyerhaeuser was not planning to sell its remaining financial services operations, in mortgage lending and property development. With assets of more than $80bn, GE Capital is the second-largest non-bank finance company in the US, with 20 businesses ranging from aircraft leasing to third-party credit card services. Over the past two years it has begun a significant expansion into the European and Asian markets.

Mr Patrick Welch, chief executive of GNA, will continue to manage the company. He said yesterday GE Capital had assured him that the business would remain an independent, stand-alone operation.

De Beers' diamond sales fall by 13%

By Kenneth Gooding, Mining Correspondent

DIAMOND SALES by De Beers of South Africa, which controls 80 per cent of the world's rough diamond trade, last year fell by 13 per cent to $3.417bn.

However, De Beers indicated yesterday that its grip on the market was as tight as ever and that it had achieved its objective of balancing the supply of rough, or uncut, diamonds with demand. It said rough diamond prices were "firm", stocks at cutting centres were at "reasonable levels", as were traders' bank borrowings.

The diamond sales figures, announced by De Beers' London-based Central Selling Organisation, were at the top end of analysts' expectations and this, coupled with the group's estimate that world retail jewellery sales last year would match the $39bn-$40bn in 1991, helped move the share price up by £$\frac{13}{32}$ to £8$\frac{1}{16}$.

The CSO operates a buffer stock of rough diamonds to keep the market on an even keel. It not only had to cope with recession in the US and Japan, the two most important diamond markets with about 30 per cent each, but also had to mop up an estimated $500m-worth of gemstones smuggled out of Angola last year. This problem ended when the threat of civil war was renewed in that country, the CSO reported.

De Beers passed on some of the financial pain to producers by cutting their supply quotas by 25 per cent from September onwards. Nevertheless, analysts suggested De Beers' finances took a hefty knock defending the diamond market last year.

Mr Steve Oke, analyst at the Smith New Court financial services group, said it was likely De Beers' earnings would fall by 30 per cent from the 1991 level and that the dividend would be cut by half. Also, De Beers was probably in debt at the end of last year, whereas it had $800m of net cash in December 1991. De Beers was likely to remain in debt this year because its rough diamond sales could not be expected to rise above $3.6bn in 1993.

Mr Michael Coulson, analyst at the Crédit Lyonnais Laing financial services company, suggested it was good news for the diamond market that stability had been achieved at CSO sales levels well above those seen through much of the 1980s. But there would have to be substantial growth in demand to absorb all potential supply.

Vanessa Houlder reports on a spate of overseas investment in commercial buildings

Chesterfield reduces debt after £85m sale

By Vanessa Houlder, Property Correspondent

CHESTERFIELD Properties, a UK property company, yesterday announced the sale of a building in London's Oxford Street for £85m ($131m) to an overseas investor.

The deal was the latest in a series of large acquisitions by foreign buyers, which have given new momentum to the depressed London commercial property market.

The deal, which sent Chesterfield's share price up 32p to 230p, will reduce its net debt by £66m and nearly halve its gearing, which previously stood at 200 per cent.

The sale price is 18 per cent less than the building's book value at the end of 1991, but compares with a purchase price of £47m in 1987.

The buyer was Arrowhead Properties, a Jersey-registered private company owned by an unnamed overseas investor. The sale was made by Anfield Properties, which is 60 per cent owned by Chesterfield and 40 per cent owned by Capital & City Holdings, another property company.

Mr Mark Houslop of Debenham Tewson & Chinnock, Arrowfield's property adviser, said its client was attracted by the high yield on the building of just over 10 per cent and its long leases, which do not expire for another 20 years.

The high yield reflects the poor prospects for rental growth in the building. The rent paid on the offices are between £40 and £43 per sq ft, which is roughly double the rent a new tenant would pay.

German funds lead the way into UK property

The claim that the UK commercial property market is at a turning point gains a certain credibility when sellers believe they are making disposals at the bottom of the market.

"I suspect we did it at exactly the wrong time," says Mr Roger Wingate, chairman of Chesterfield Properties, which has been selling property to reduce its borrowing. "The changes that we would need to see in order for the market to improve are starting to happen."

The most striking of these changes is the emergence of buyers, mainly from overseas, which are prepared to invest in UK property. The number of deals has gathered pace since sterling left the exchange rate mechanism and interest rates fell 3 percentage points.

Last year's investment by overseas buyers was more than £1bn ($1.54bn). German funds led the way, with some large acquisitions of buildings in the City of London in the last quarter of 1992. These included DGI's acquisition of Ropemaker Place for about £75m; DIFA's acquisition of Finsbury Circus from MEPC, a UK property company, for £73m; and a £78m acquisition of Plumtree Court by BfG Immobilien, from Norwich Union.

The increased investment activity is even allowing agents to claim that the supply of good quality property is running out. "From an investor's perspective, there is quite a serious shortage of good investment opportunities," says Mr Stephen Mallen of Knight Frank & Rutley, the chartered surveyors.

An important reason for the increased activity is that interest rates have fallen to well below property yields, which allows deals to be self-financing. The devaluation of sterling has also made UK property attractive to overseas investors.

But the overriding incentive to invest in UK property is the belief that values have fallen far enough. Property yields are now well above gilt yields, a situation unknown since the 1960s; and they are virtually double equity yields. UK property yields are higher than in many other markets which encourages buyers to believe that UK property values are coming to the bottom of their cycle, while other European markets have only started their decline.

However, the increased interest in UK property is directed at a small group of properties, with long leases and secure tenants, which accounts for, at most, a fifth of the market. Moreover, there are strong arguments for believing that investors are misjudging the severity of the problems of the UK market.

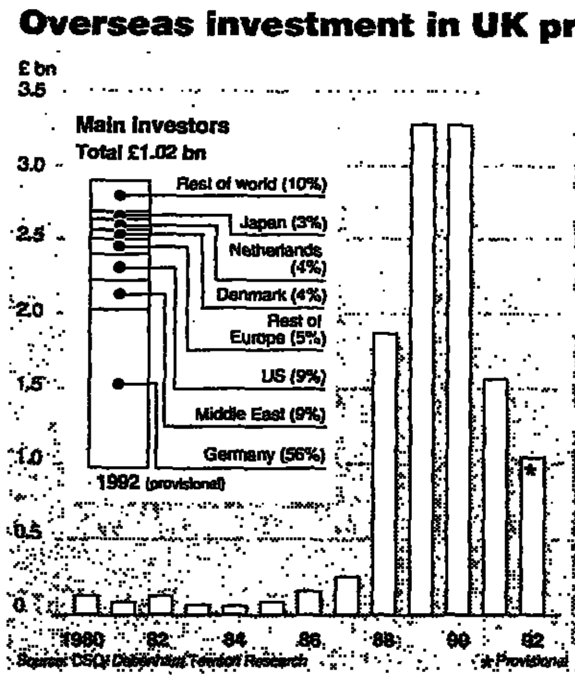
UBS Phillips & Drew, the broker, says property values will continue to decline until the middle of 1994. It says prices will be depressed by the likely rise in long-dated gilt yields, the large volumes of property that are due to come on to the market and the banks' reluctance to make further loans to property investors. Also, the weakness of the economy and the record oversupply of offices in London, mean rental values will continue to fall.

The disastrous record of foreign investors who had previously invested in London might be another cause for caution. The late 1980s saw many overseas buyers invest at the peak of the market, as restrictions on institutional investment were lifted. North American investors have also been deterred by the experience of Olympia & York at Canary Wharf and the losses made by JMB, a US fund which bought Randsworth, a London property company that later went into receivership.

Kleinwort Benson, the broker, believes the new wave of overseas investors will be as transitory as the last. The influx of overseas investors will dry up once they realise they have overestimated future growth prospects in the UK, it says. "The risk is that once these large purchases are completed, German funds will have their weighting in London and, as the German economy and property markets deteriorate in the next two years, funds will no longer be available for overseas purchases."

It may be that the real significance of the current spate of overseas purchases is that it provides a selling opportunity for overstretched domestic investors, rather than indicating the end of the UK property crash.

Overseas investment in UK property



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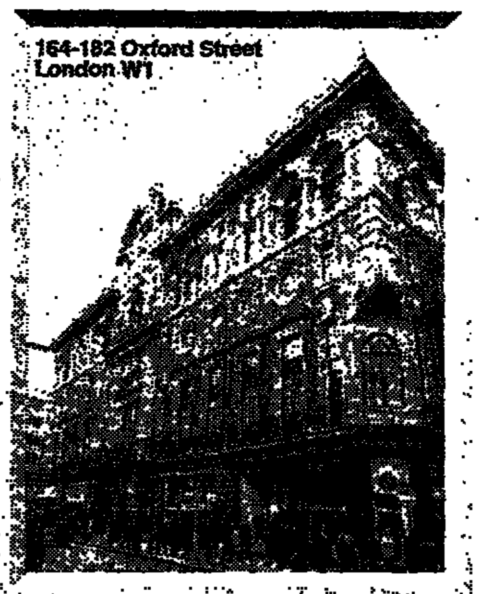


Value of cross-border mergers and acquisitions rises to $72.6bn

By Brian Bollen in London

THE global value of cross-border mergers and acquisitions rose by a third in 1992, to $72.6bn from $54.4bn, according to accountants KPMG Peat Marwick. This reverses the decline seen in 1991 in value terms, but the volume of transactions fell for the fourth year in succession, to 1,810.

The EC reinforced its position as the most popular region for takeovers. In 1992, cross-border sales of EC companies grew to $41.6bn, accounting for 57 per cent of worldwide cross-border transactions, compared with $23.1bn and 42 per cent in 1991.

Most buying was in the UK, where 233 companies were sold to foreign buyers for $15.1bn, compared with 269 deals worth $9.3bn in 1991. The biggest deal worldwide was Hongkong & Shanghai Banking Corp's purchase of Midland Bank, which KPMG valued at $7.4bn.

Germany and France were the next most popular EC targets for cross-border buyers, each with deals worth $6.1bn.

US companies were the most active buyers of foreign companies, spending $15.3bn on 342 purchases, compared with $8.2bn on 333 transactions in 1991. Cross-border sales of US companies fell to 282 deals worth $9.7bn, from 422 worth $19.7bn in 1991.

KPMG forecasts that EC companies will continue to be active in international mergers and acquisitions. In spite of recent restructuring, many industries in the EC are still relatively fragmented, according to Mr Richard Agutter, the firm's head of mergers and acquisitions.

Food and drink manufacturing and distribution, financial services, telecommunications and leisure-related industries are sectors where he expects further activity in 1993.

Mr Agutter also expects to see business increasing in the more advanced former eastern bloc countries. "Apart from east Germany, we see Poland, Hungary and the Czech republic as the prime sources of privatisation opportunities," he said.

KPMG noted that, in spite of the signs of recovery, the value of deals in the second half of 1992 was 30 per cent down on the first six months. While there were more deals over $1bn in 1992 than in 1991 (10 worth $25.7bn compared with two worth $5.8bn), there were no signs of a return to the near hysteria which characterised some transactions in the late 1980s.

Airtours in hostile bid for rival

By Richard Gourlay in London

AIRTOURS, the UK's third largest package holiday company, yesterday launched a hostile £221m ($336m) all-share bid for its larger rival, Owners Abroad, in what may prove a substantial challenge to the market leader, Thomson.

The bid, which Owners Abroad rejected as inadequate, would leave Thomson and the enlarged Airtours with nearly 60 per cent of the holiday tour market and may be referred to the Monopolies and Mergers Commission.

Airtours' offer is dependent on Owners Abroad's shareholders not accepting the terms of a previously proposed link with Thomas Cook, the travel agent and banking services chain now controlled by Westdeutsche Landesbank of Germany.

Mr David Crossland, Airtours' founder and chairman, has overseen a 10-fold increase in its market value in five years.

The group would account for 26 per cent of the UK holiday market, after Thomson, which has 33 per cent. Mr Crossland did not expect the deal to be referred to the Monopolies Commission.

Airtours considers Thomson's 1988 takeover of Horizon Travel a precedent.

The bid leaves open the question of whether Thomas Cook will want to take a more substantial financial stake in Owners Abroad. Under the current proposal, it would make a net cash injection of only £2m although it is taking a 10 per equity stake.

Owners Abroad yesterday postponed tomorrow's extraordinary general meeting at which shareholders would have voted on the Thomas Cook deal.

Airtours is offering three new ordinary shares for every eight Owners Abroad shares, valuing this part of the bid at 113p last night after Airtours' share price slipped 19 to close at 302p. Owners Abroad shares closed up 11p at 120p.

It is also offering 188.5 new convertible preference shares for 100 Owners Abroad convertible shares, valuing these shares at about 194p. There is a partial cash alternative, fully underwritten by Barclays de Zoete Wedd and The British Linen Bank. Airtours is also proposing to raise £49.5m by way of a placing, with clawback, of convertible preference shares.

BZW is advising Airtours and Samuel Montagu is advising Owners Abroad.

Details, Page 16, Lex, Page 12

UAL to cut jobs, pay and flights to reduce costs

By Nikki Tait in New York

UNITED Airlines, one of the three largest US carriers, yesterday announced a significant cost-cutting plan involving the axing of almost 3,000 jobs, a 5 per cent salary cut for management and reducing the company's flight schedule.

The airline's parent company, UAL, said the measures were aimed at reducing annual expenses by around $400m in the hope it can claw its way back to profitability.

The Chicago-based company suffered an after-tax loss of $165.9m in the first nine months of 1992, and warned yesterday it will also post "a large fourth-quarter" deficit.

There have been signs of a firmer pricing environment for the US airline industry *recently, and there are hopes* the savage fare wars seen in the past couple of years may be receding.

However, Mr Stephen Wolf, United's chairman, claimed yesterday "the fundamental flaws in our industry are still pervasive and threaten our long-term financial health".

United's action echoes a similar announcement from Delta Air Lines last month, when its Atlanta-based rival unveiled a pay cut for all non-contract staff and cut its dividend to a nominal amount.

American Airlines, the third big US carrier, has also warned it expected to shrink by the mid-1990s and has recently pruned administrative staff numbers.

All three airlines have slashed planned expenditure plans for new aircraft – with United announcing in December it was in talks with Boeing to "reduce significantly" its 433 aircraft on order and option.

Yesterday's cost-cutting package by United will lead to a 2,800 reduction in existing job numbers and another 1,900 people will not be hired this year, as previously planned.

All United officers and affected US management will take a 5 per cent salary cut, while other employees – in and outside the US – will be asked "to participate in similar sacrifices".

United also said it will accelerate the retirement of its older aircraft, leading to the grounding of around 40 aircraft in 1993, and reduce non-aircraft capital expenditure across the board by an unspecified amount.

A third element to the cost-savings package will be a reduction in its domestic schedule and a cancellation of plans to fly certain previously announced international routes. No details of the flight schedule realignment were immediately available.

Property investors seek tighter safeguards

By Bernard Simon in Toronto

NORTH American property investors are insisting on tighter safeguards to avoid a repetition of the acrimony and financial loss which marked last year's collapse of developer Olympia & York.

The heightened caution among investors is reflected in a pioneering mortgage bond issue completed recently by two Canadian securities dealers for Les Terrasses de la Chaudiere, a 1.9m sq ft hotel and also a government office complex on the outskirts of Ottawa.

The C$135m (US$112.5m) private placement, arranged by RBC Dominion Securities and Scotia McLeod of Toronto, includes several provisions to ensure the owners of the building cannot hold up or divert rental income which is required for debt-service payments.

The issue was distributed to about a dozen financial institutions, mostly North American life insurance companies.

An official at ScotiaMcLeod said the agreement had been made "as bullet-proof as possible to ensure that there is no intervening party between the government (the *tenant*) and the bondholders."

Several similar deals are in the pipeline, including a mortgage on a large new building in Toronto occupied by the Canadian Broadcasting Corporation.

O&Y raised funds for numerous projects in the US and Canada during the 1980s by setting up "single-purpose" companies which were supposedly insulated from any financial problems which might be experienced by the developer.

However, rents were paid to O&Y. Lenders discovered last year the developer had siphoned cash out of healthy buildings to prop up the troubled parts of its empire.

Investors in the Chaudiere development, owned by three limited partnerships, have insisted that rents be paid directly to a trustee, which must immediately make the required debt-service payments.

As a further safeguard, the trustee is obliged to disclose all information on the project *required by bondholders*. Existing lenders' permission will also be required for any further debt secured by the project. In addition, the bonds amortise over 20 years, with no bullet payment of principal at final maturity.

Dominion Bond Rating Service of Toronto has assigned the bonds an AA Low rating. DBRS said in a recent report the main risk of the Chaudiere project is that payments may be delayed if the complex is included in a filing for bankruptcy protection.

However, it concluded that investors have considerably more protection than was the case in similar O&Y financings.

CS aims to create a giant among the gnomes

The group's agreed bid for Volksbank would strengthen its home base, writes Ian Rodger

CS HOLDING, the parent company of Crédit Suisse, appears to be creating a new meaning for the term "universal bank".

If its agreed SFr1.6bn ($1.14bn) bid for Swiss Volksbank is successful, the group will have at least one significant, independently-branded company for virtually every financial business.

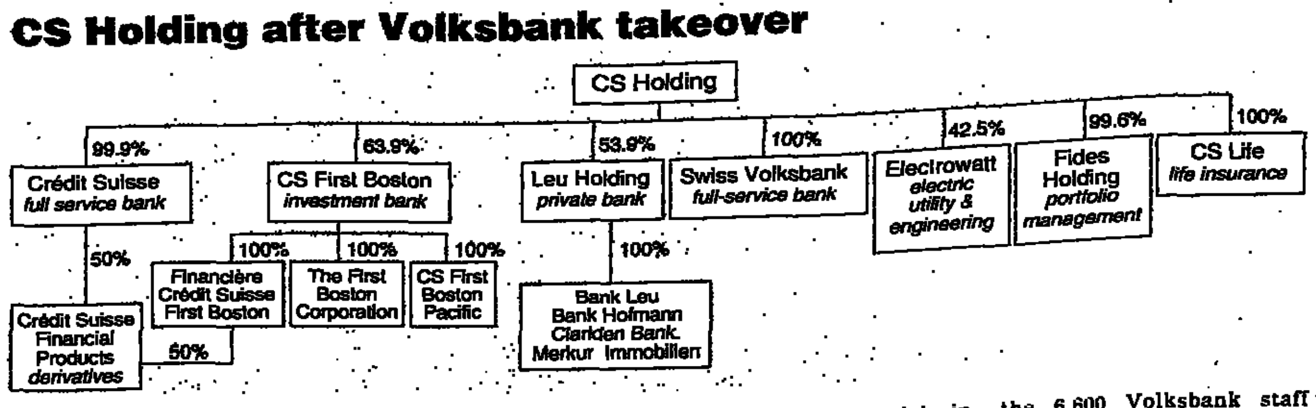
Through this takeover, the CS group – long regarded as the most aggressive of the big three Swiss banks internationally – would also considerably strengthen its Swiss base. In terms of assets, it would be slightly larger than the current number one, Union Bank of Switzerland (UBS), although not in profitability.

At the end of June 1992, UBS had total assets of SFr258.8bn, Swiss Bank Corporation SFr201bn, and CS Holding SFr241bn (of which roughly SFr4bn are attributable to CS's share in its only non-banking subsidiary, Electrowatt, an electric utility and engineering group). The Crédit Suisse banking group alone had total assets of SFr163.7bn.

The addition of Volksbank, with its total assets of SFr48.5bn at the end of June 1992, would appear to put the enlarged CS banking group comfortably into first place. But *CS* may want to make large provisions for bad loans and the costs of rationalisation at Volksbank.

CS's profits, even including those of Volksbank, are still well behind those of UBS. CS had net income last year of SFr980m and Volksbank SFr68.4m, while UBS net income was SFr1.2bn.

CS Holding after Volksbank takeover



CS made clear yesterday that, following the takeover of Volksbank, it would accentuate the specialisation of its financial subsidiaries.

Crédit Suisse itself would remain the flagship global bank, concentrating on international activities, securities underwriting and major corporate and institutional clients, while CS First Boston would maintain its investment banking speciality.

These two would fulfil the group's main strategy, which *was stated last year by Mr Rainer* Gut, the chairman, as "building up global wholesale and investment banking capabilities so that at least one of the group's companies will be able to service any major banking transaction wherever and whenever it may arise."

Volksbank is seen as the group's domestic Swiss business bank, and will shed its relatively modest international activities and put less emphasis on its securities business in order to focus on lending to small and medium-sized companies.

But both Crédit Suisse and Volksbank, which will be managed and report financial results together, will continue to operate retail branch networks in Switzerland.

Perhaps CS believes it can *win in this overcrowded field* with a two-brand strategy, although it may just be hesitant about breaking customer loyalties for some time.

Bank Leu, active mainly in Swiss markets before CS acquired it in 1990, will (with other CS subsidiaries) increasingly concentrate on private banking. While this structure has a pleasing symmetry, analysts doubt that it will work that way in practice.

Mr Michel Petitpierre, head of research at bankers Pictet & Co in Geneva, said he expected the group to rationalise aggressively and bring its banking activities gradually under unified management.

Mr Hans Kaufmann, of Bank Julius Baer in Zurich, noted that Crédit Suisse already carried out Bank Leu's data processing.

He said there were more *than 100 locations where* branches of Volksbank and Crédit Suisse overlapped, and he expected closures to proceed rapidly. Redundancies among the 6,600 Volksbank staff would occur more slowly, he added.

Mr Kaufmann predicted that in the long term, Crédit Suisse would probably move out of retail banking.

CS claimed that the combined forces of Crédit Suisse and Volksbank would take leading market shares in many sectors in Switzerland.

In mortgage lending, for example, it would have a 14.3 per cent *share, based on 1991* figures. That is fractionally larger than those of UBS and Swiss Bank Corporation, the current number two. Crédit Suisse alone has only a 9.5 per cent share.

In clients' deposits, it would also move into first place with a 17.5 per cent share, compared with 14.3 per cent at UBS and 11.3 per cent at Crédit Suisse now.

AT&T, Novell to develop 'computer-phones'

By Louise Kehoe in San Francisco

AMERICAN Telephone and Telegraph, the US telecommunications company, has formed an alliance with Novell, the *leading supplier of computer* networking software, to develop and market products linking computer networks with telephones.

Products resulting from the joint efforts will "bring the power of computer-telephone integration to desktop computers," the companies said yesterday.

They aim to help businesses increase office productivity by integrating existing telephone and computer networks to provide "telephony services".

Merged computer-telephone networks will eventually be accessible from all types of *desktop computers, the companies* added.

The first product, called a "telephony server NetWare loadable module", will link Novell's popular NetWare computer networks with AT&T's Definity communications systems.

It will allow customers to use common telephone features, such as auto-dialling, conference calling and message management, in combination with information stored in their computer networks.

Users will be able to speed-dial numbers and take notes on their computers.

Notes from previous conversations will be available with each new call.

The companies also plan to develop products that integrate services such as electronic mail, facsimile and voice mail.

Mr Ray Noorda, Novell president and chief executive, said: "Telephony services are a powerful combination of technologies which will benefit customers by providing integration between their existing voice and data networks.

"The technology will simplify management and pave the way for delivery of many new services."

Mr Jerre Stead, president of AT&T Global Business Communications Systems, said: "The market for computer-telephone integration is expected to almost double each year during the next five years as customers discover its productivity benefits. We intend to be leaders in this emerging market."

Bid deadline for Siddons extended

By Kevin Brown in Sydney

PACIFIC BBA, a subsidiary of BBA, the UK toolmaker, yesterday extended the deadline for its A$86m (US$58m) bid for Siddons Ramset, the Australian hardware and fasteners group, giving substance to speculation that the offer will soon be increased.

Pacific BBA said the cash and paper offer would remain open until January 27, nearly two weeks after the original deadline. It said that acceptances had been received for 0.1 per cent of Siddons' stock.

The extention will give Pacific BBA time to consider whether to raise its A$1.81-a-share offer to match a rival A$2 cash bid by W.A. Deutsher, an Australian subsidiary of Illinois Tool Works, the US *engineering* group.

The W.A. Deutsher bid values Siddons at A$94m.

Mr Roger Flynn, Siddons' managing director, said the company was unsure whether the extension would lead to an increased offer. "They have delayed to allow an extension to the bid, but whether they do or not will be up to them," he said.

"The bid is still unacceptably low, and the board stands by its decision to reject it, particularly in light of the Illinois Tool Works bid."

The Siddons board is pressing for an offer in line with an independent assessment by Schroders Australia, which valued the company at between A$2.60 and A$3.00 a share.

Siddons shares closed 4 cents lower yesterday at A$2.01 in weak trading on the Australian Stock Exchange.

Debentures to be repaid at discount

By Richard Waters in London

LONDON & Provincial, the UK property company yesterday asked holders of debentures, or secured bonds, to take a loss on their investment in what would amount to the first failure in the debenture market since the 1970s.

The company will offer £95 ($144) for every £100 of bonds to the 76 insurance companies and pension funds which hold its £135m of debentures. The move followed a halving in value since June 1990 of the companies' office and retail *property investments in exclusive* parts of London.

Experts in the London debenture market were hard-pressed yesterday to recall when a secured bond issue last failed to repay at face value, though some pointed to Mitchell Construction, whose bonds went into default nearly 20 years ago. Companies which issue debentures – typically property companies and breweries, which use pubs as security – agree to provide security worth substantially more than the value of the bonds, giving investors a cushion against falls in property prices.

London & Provincial was due to make an interest payment to its bondholders of £5m net of *tax yesterday, but would have* been unable to do so without the support of its banker, Citibank.

The deal, if accepted by at least 75 per cent of the bondholders at an extraordinary general meeting on February 1, will lead to Citibank putting up £134m, on top of £7.7m it has already lent the company. In addition, the bank has lent £216m to other parts of the Randsworth Acquisition group, owner of London & Provincial and itself in receivership.

Although yesterday's *announcement brought grumbles* from a number of investors, the offer was better than most had expected. The latest valuation of the properties backing the bonds shows them to be worth £121m, with a further £22m in cash available to the bondholders.

Mr Nigel Kempner of London & Provincial said yesterday that rental income from the properties looked set to fall further.

The offer has already been informally accepted by three insurance companies, Prudential, Standard Life and Scottish Amicable, which between them own £45m of the bonds.

Lex, Page 12

UK merchant bank loses sell-off role

By Nicholas Denton in Budapest

MORGAN GRENFELL has lost the mandate to sell MEH, the state-owned Hungarian recycling company.

The State Property Agency, Hungary's privatisation authority, announced it had been unable to reach agreement with the UK merchant bank on fees and was therefore not renewing the mandate.

The SPA expressed disappointment that two years of work on MEH had produced no results. Mr Lajos Csepi, SPA managing director, described another Morgan Grenfell transaction, the privatisation of *Nagykanizsa Brewery, as* "a complete failure."

Morgan Grenfell confirmed yesterday the two sides had failed to agree, but blamed conflicts within the Hungarian government for delays in transactions.

Morgan Grenfell's departure comes one month after a similar incident involving Barclays de Zoete Wedd, another UK investment bank. The SPA sacked BZW as adviser on the privatisation of Kobanya Brewery, alleging BZW had ignored important instructions.

Tensions between the Hungarian authorities and western advisers have grown as privatisation transactions have dragged on. *SPA officials feel* costs are out of proportion to the proceeds, while western investment banks are increasingly unwilling to work for *uncertain success fees.*

Motorola proceeds with Iridium

By Louise Kehoe

MOTOROLA is to proceed with ambitious plans to build Iridium, a $3.37bn global satellite communications network for which it has been seeking co-investors.

The US electronics group said it had received subscriptions and letters of intent from a number of potential investors around the world. "We are very pleased with the worldwide interest being expressed in the Iridium programme," said Mr John Mitchell, Motorola vice-chairman.

The Iridium telecommunications network would be designed to use hand-held, wireless telephones that communicate through a *constellation of 66 low-earth* orbit satellites. The network would offer subscribers voice, paging, facsimile, data and radiodetermination satellite services (RDSS).

Motorola declined to identify its potential Iridium partners, and noted the commitments were non-binding and subject to conditions, including approval of certain government agencies and ratification by investors.

For more than two years Motorola has been seeking to establish an international consortium which will own and operate the Iridium network. It had set a December 1992 deadline to find funding for the project.

Among the parties reported to have signed letters of intent *to acquire equity stakes in* Iridium are the Brazilian government and United Communications of Thailand. Other companies said to have expressed interest include DDI and Kyocera of Japan.

Motorola is developing the Iridium system and intends to be an investor in the consortium and the prime contractor of the system.

Current plans estimate the launch of the satellites would begin in 1996, with commercial service anticipated for 1998.

However, several regulatory hurdles remain as Motorola competes with other proposed satellite telephone systems for approval from the US Federal Communications Commission.

Troubled Torras names new executive board

By Tom Burns in Madrid

GROUP TORRAS, the Spanish investment arm of the Kuwait Investment Office, has named a four-man board to run its troubled industrial empire in Spain. This fulfils a pledge made to the Madrid government two weeks ago following the KIO's decision to place Torras in receivership.

Two Kuwaitis, Mr Mahmoud Al-Nouri, Torras' current deputy chairman, and Mr Al-Mousherji, were appointed to the new executive committee together with two Spaniards, Mr Luis Vaño, Torras' director general, and Mr Jose Luis Lopez Sanchez, a lawyer.

The board will replace two partners of the accountants KPMG Peat Marwick who had been placed in charge of Torras' management after the receivership application, although both auditing consultants will remain close to the holding company as administrators of its receivership process.

Spain's industry minister had requested a four-man board last month, equally composed of Kuwaitis and Spaniards, in order to negotiate Torras' staged withdrawal from Spain. Although the Madrid administration had hoped a high-ranking official of the KIO would join the board – both Nr Al-Nouri and Mr Al-Mousherji are external advisers to the office – the development was viewed as positive and a prelude to the wind-up talks.

Profits ease 9% at Swiss bank

BANCA del Gottardo, the Lugano-based bank in which Sumitomo Bank of Japan has a 55 per cent interest, said net profit fell 9 per cent last year *to SFr42m* ($30m) because of increased provisions for bad loans, writes Ian Rodger.

But the directors described the result as "satisfactory" in a year of volatile financial markets and a fresh deterioration of the debt situation in Switzerland and abroad. They propose to maintain the dividend at SFr20 per share and participation certificate.

Cash-flow rose 13 per cent to SFr125m, due to good results in foreign exchange, the satisfactory trend of interest margins and an extraordinary SFr17m dividend from Gotthard Finance International.

Pfizer shares hit by court ruling

By Karen Zagor in New York

SHARES in Pfizer fell $2⅛ to $67⅜ – about 3.6 per cent – in active trading yesterday morning on news that a California appeal court had opened the door to lawsuits from out-of-state recipients of the company's Shiley heart valve.

Pfizer, one of the fastest-growing US pharmaceutical companies, has been trying to put the Shiley litigation to rest for several years.

About 50,000 people have received the heart valves made by Pfizer's California-based Shiley unit.

The company had appealed *against an earlier California* superior court decision to allow US recipients of Shiley valves to sue in California, regardless of where they live. That decision has now been upheld by the appeals court.

It was decided in the earlier ruling that foreign valve recipients did not have the same constitutional rights to sue in California.

Pfizer said it would now seek relief in the California supreme court on the decision.

Last year, Pfizer put forward a comprehensive plan in a Cincinnati court which included a $215m class action settlement and an additional $300m in reserves to settle fracture claims. The plan, which was *accepted by the court, has been* appealed and is waiting for a federal appeals court review.

Mr Viren Mehta, a partner at Mehta & Isaly in New York, said: "California courts have an image of being more pro-consumer than other courts. As a result, Pfizer has been trying to keep Shiley out of California, particularly for those patients who are not California residents."

Mr Mehta noted the Cincinnati hearing was more critical "for the comprehensive settlement of the Shiley saga. If the Cincinnati settlement is upheld by the appellate court, then I think Shiley can be thought of as behind Pfizer even though hundreds of cases are pending".

Citic Pacific trading halted

By Simon Holberton in Hong Kong

SHARES in Citic Pacific, the large trading and investment company controlled by China, *were suspended* in Hong Kong yesterday amid speculation that it would make a large capital issue to fund acquisitions.

The Hong Kong Stock Exchange said that the company had requested suspension pending an announcement.

Analysts expect Citic to announce the acquisition from its parent, Citic Hong Kong, of about 10 per cent of Hongkong Telecom, the colony's telecommunications monopoly.

Citic Hong Kong, a wholly-owned subsidiary of China International Trust and Investment Corporation of Beijing, owns 20 per cent of Hongkong Telecom.

Analysts said that Citic Pacific may also acquire an interest in one of Citic Hong Kong's power stations in China.

As with past transactions of this type, Citic *Pacific* is expected to fund the two acquisitions through the issue of new shares, although this would require shareholder approval.

GA raises 25-year endowment payouts

By John Authers in London

GENERAL *Accident*, the composite insurance group, yesterday announced the highest payouts so far this year for 25-year with-profits endowment policies.

Several life offices have announced cuts in the bonuses they pay to policyholders this week, *but GA managed to* increase its 25-year payout by 0.3 per cent to £65,464 ($99,500), using the standard industry assumption that policies are started by a 29-year-old man paying £30 per month.

It altered its bonus *structure in a way which* reduced payouts for shorter-term policies while increasing them for longer-term endowments.

This led to a cut in payout on 10-year policies of 6.2 per cent to £6,590, using the assumptions above.

This has been bettered by Norwich Union, which cut similar payouts by 7.2 per cent to £6,992, but Sun Alliance cut its 10-year payout by *almost 15 per cent to £6,005*, the lowest so far announced.

Mr David Heslop, GA Life's marketing manager, said: "Last year was actually a very good year. We estimate the return on our fund for 1992 at around 18 per cent.

"In those circumstances we did not see any reason why we should have to adjust our long-term maturity values."

GA claims it has reached its *current position because it conserved* its financial strength during the years of strong investment performance in the mid-1980s, and did not "strive to be one of the very top players".

Several actuaries claim that payouts, particularly for *short-term policies, were too* high for 1990, when the stock market dropped during the year. Many firms assumed this was a aberration and raised payouts.

For 10-year policies this means that payouts on policies exceed the share of the fund's assets allocated to them.

Mr Philip Scott, investment manager of Norwich Union, said that payouts for NU *exceeded their asset share by* "about 10 per cent", but he pointed out that the figure was dependent on volatile stock markets.

He said: "If investment returns are good in the first half of this year, as we expect, that figure would be very *much smaller.*"

Mr Charles Cannon, of actuaries Mercer Fraser, calculates that across the industry, payouts on short-term contracts exceed their asset share by between 10 and 20 per cent.

GA admits its payouts are slightly in excess of their asset share.

Sun Alliance says its payouts are now fully backed by assets.

Wessanen sees 12% advance

WESSANEN, the Dutch food producer, posted a provisional *rise of more than 12 per cent in* profit from normal business operations in 1992, and predicted a further rise in per-share results in the year ahead, writes Ronald van de Krol.

The company, which reports final figures on March 4, said *1992 net profit before extraordinary* items showed a rise of more than 12 per cent from the Fl 109.9m ($60.0m) reported in 1991. The profit figure would have been Fl 4m higher if it had not been for the fall in the dollar. Per-share results before extraordinaries rose by nearly *9 per cent from Fl 6.47 in 1991*, and Wessanen forecast a further, unspecified rise in 1993.

French developer forced into FFr3bn bank deal

By Alice Rawsthorn in Paris

PIERRE Premier, a French property developer, has been forced to cede FFr3.2bn ($581m) of its property holdings to its banks in order to retain its independence.

The Pierre Premier initiative comes as a number of France's most prominent property companies are struggling. Earlier this week, Mr Michel Pelèe resigned from his eponymous property company and was replaced by Mr Henri Caro.

Until yesterday's deal, Mr Christian Garrel, chairman and main shareholder in Pierre Premier, faced the threat of losing control of his company. Pierre Premier, which has been involved with restoring residential and office buildings in French city centres, has been badly affected by the property crisis and needed to find new capital.

Instead of a conventional recapitalisation deal, Pierre Premier has transfered 19 properties, worth a *total* of FFr3.2bn and representing 80 per cent of its portfolio, to its banks.

The problems of the French property sector, particularly in the Paris region, have worsened in recent months. Average rentals in Paris have fallen by 20 per cent in the past three years and there is a surplus of available office space in the city.

INTERNATIONAL CAPITAL MARKETS

Bundesbank dashes hopes of imminent cut in rates

By Sara Webb in London and Patrick Harverson in New York

EUROPEAN government bond markets rallied yesterday on hopes that the Bundesbank would cut German interest rates shortly in order to relieve tensions within the European exchange rate mechanism.

GOVERNMENT BONDS

Rumours that the Bundesbank could cut interest rates as early as today at the central bank's council meeting helped to encourage buying of French and German government bonds.

However, Mr Helmut Schlesinger, Bundesbank president, later dashed hopes of an imminent cut when he told industrialists in Oslo that the Bundesbank "must continue to give priority in its monetary policies to limiting inflationary risks".

French government bond prices rose on the rumours. The French government bond market has been troubled by speculation that the franc may be devalued within the European exchange rate mechanism.

On Tuesday, the Bank of France raised its overnight rate to 12 per cent from 10 per cent to curb speculation against the currency, and both the French and German central banks issued statements stressing their intention to support the parity between the franc and the D-Mark.

The measures helped to relieve the pressure on the franc, which appeared relatively stable yesterday. Dealers noted healthy buying interest in the French government bond market as investors were attracted by the high yield spreads over German government bonds. The yield on the 8¼ per cent bond due April 2003 moved from 8.12 per cent at the opening to 8.05 per cent by late afternoon.

Elsewhere in Europe, German government bonds edged higher as interest rate speculation and some gloomy economic forecasts encouraged domestic investors to buy bunds.

The Liffe bund futures contract opened at 92.86 and traded in a range of 92.68 to 92.98 before ending the day at 92.96. The yield curve flattened as the short end of the market outperformed longer-dated issues.

The German Institute for Economic Research, a leading German economic institute, said the economy would shrink in 1993, and criticised the Bundesbank for not lowering key interest rates. In addition, the Economics Ministry said industrial output in west Germany fell 1.1 per cent in November from October and was down 5.1 per cent from a year earlier. Dealers said the news led to hopes that the Bundesbank would be forced to ease interest rates soon.

■ UK government bond prices closed higher after a volatile day, taking their cue from the European bond markets. Dealers noted some switching out of short-dated issues into medium and long-dated gilts.

■ JAPANESE government bonds closed slightly firmer after touching new highs, helped by the combination of continued stock market weakness and investor buying.

The futures contract climbed from its opening level of 108.41 to a four-year high of 108.56, before closing at 108.45 in Tokyo. The yield on the benchmark No 145 opened at 4.505 per cent and moved to 4.475 per cent before ending at 4.48 per cent.

Dealers said bond market sentiment remains bullish, despite the prospect of new supply today. The Ministry of Finance is expected to auction about Y800bn of 10-year government bonds. Dealers predicted the coupon would be the same as for the December issue at 4.8 per cent, and that the auction will be a reopening of the existing No 153 issue.

■ US Treasury prices remained trapped in narrow ranges as investors stayed on the sidelines ahead of tomorrow's employment data.

By midday, the benchmark 30-year government bond was down $\frac{1}{32}$ at $103\frac{11}{32}$, yielding 7.331 per cent. At the short end of the market, the two-year note was also virtually unchanged, down $\frac{1}{32}$ at $100\frac{3}{32}$, to yield 4.508 per cent. Trading was light.

Prices eased early, but recovered later amid sporadic buying. Attention remained fixed on tomorrow's employment report for December – which should provide the market with a clearer idea of how the economic recovery is progressing – and on the likely impact on prices of fresh corporate and government supply.

The market would get the first indication of the scale of the new supply yesterday afternoon with the Treasury's announcement of a seven-year note auction.

FT FIXED INTEREST INDICES

	Jan 6	Jan 5	Jan 4	Dec 31	Dec 30	Year ago	High *	Low *
Govt Secs (UK)	94.18	93.89	94.05	94.34	94.41	87.16	95.54	85.11
Fixed Interest	109.57	109.53	109.51	109.81	109.67	97.65	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928
* for 1992/93. Government Securities high since compilation 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Jan 5	Jan 4	Dec 31	Dec 30	Dec 29
Gilt Edged Bargains	104.7	88.2	46.0	63.3	51.1
5-Day average	70.7	49.6	58.1	73.5	76.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	106.5871	-	8.97	8.91	8.79
BELGIUM		8.750	08/02	105.9000	-	7.84	7.84	8.01
CANADA *		8.500	04/02	103.5000	-0.250	7.95	7.95	7.94
DENMARK		9.000	11/00	99.8700	+0.030	9.02	8.94	9.13
FRANCE	BTAN	8.500	03/97	101.5774	+0.278	8.02	7.96	8.10
	OAT	8.500	11/02	102.9250	+0.460	8.35	8.09	8.24
GERMANY		8.000	07/02	105.6300	+0.250	7.15	7.24	7.42
ITALY		12.000	05/02	92.6050	-0.185	13.85†	13.53	13.78
JAPAN	No 119	4.800	06/99	101.8578	-	4.43	4.51	4.45
	No 145	5.500	03/02	108.4745	-	4.51	4.53	4.59
NETHERLANDS		8.250	06/02	107.5400	+0.550	7.12	7.56	7.50
SPAIN		10.300	06/02	87.2500	-	12.66	12.49	10.66
UK GILTS		10.000	11/96	109-06	+2/32	7.23	7.19	7.41
		9.750	08/02	109-15	+5/32	8.29	8.23	8.41
		9.000	10/08	102-27	-	8.65	8.53	8.73
US TREASURY *		6.375	08/02	98-13	-3/32	6.60	6.66	6.79
		7.625	11/22	103-09	-3/32	7.35	7.36	7.47
ECU (French Govt)		8.500	03/02	99.7550	+0.020	8.54	8.64	8.82

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Currency turmoil drove trading in futures to new highs

By Richard Waters

LAST year's currency upheaval helped to drive trading on European futures markets to new highs at a time when trading in some underlying cash markets showed only modest growth, according to figures from the continent's futures exchanges.

The shift of trading to futures markets came largely in the second half of the year as investors sought to shift their exposure to European markets quickly during periods of high currency volatility.

"In volatile markets, it is easier to trade one generic security than lots of underlying ones," said the head of fixed income futures at one US investment bank in London. The transparency of pricing on futures exchanges, compared with the difficulty in times of market upheaval of obtaining firm quotes for trades in underlying cash bonds, also explains the use of futures, he said.

As a result, futures prices had a greater impact on prices in cash markets. "The government cash markets were visibly driven by futures at more times last year than they had been previously," said Mr Malcolm Roberts, head of fixed income research at UBS Phillips & Drew in London.

He attributed the switch to futures to the large number of investors who sought to sell futures contracts to hedge their long positions in various European currencies.

At the same time, many investors wanting to take positions in the European fixed income markets chose to use futures contracts rather than cash bond to reduce their exposure to currency movements.

A sharp increase in trading was recorded across all types of contract:

● Government bond contracts. Trading in the main French, German and UK government bond contracts in 1992 was up by around 50 per cent from 1991 levels. Most actively traded was the Matif's 10-year French government bond contract, which turned over 31m lots, up by 47 per cent. The two German bund contracts traded on Liffe in London and on the DTB in Frankfurt recorded 18.9m between them (13.6m of these in London), a growth of 52 per cent, while the long gilt futures contract in London showed a 56 per cent increase, to 8.8m contracts.

Growth in the cash markets was slower. Turnover in gilts in 1992, at £1,236bn, was up just over 10 per cent on 1991, although all of this increase was due to more active trading of short-dated and index-linked gilts. Turnover in bunds, together with bonds issued by the German rail and post agencies, was up by around a third.

The Italian government bond contract was the fifth most actively traded contract in London, after the main sterling and D-Mark contracts, turning over 3.8m lots.

● Short-term interest rate contracts. Turnover grew even faster, with a 154 per cent jump in London's Euromark contract, to 12.2m, and a 115 per cent jump in Matif's Pibor contract, to 6.4m. The short sterling contract traded 11.3m, up 40 per cent on 1991.

One trader noted the absence of contracts in Europe covering medium-maturity paper, except for the German Bobl futures contracts. Such contracts would be of particular use to investors as Europe's yield curves shift from an inverted to a normal shape, he added.

● Equity indices. Trading increased by around a half in the futures on both the FT-SE 100 and Cac 40 indices, which turned over 2.6m and 3.6m contracts respectively. Turnover on the Dax index leapt from 1.3m to 3.3m.

In all, Liffe traded 72m futures and options contracts last year compared with the 55.5m on the French exchange. Although the figures are not directly comparable, due to different contract sizes, the numbers suggest a comfortable margin compared with 1991, when both exchanges traded 37m-38m contracts.

Warm welcome for World Bank's 30-year global issue

By Brian Bollen

THE World Bank's careful preparation for its 30-year global bond paid off as bankers reported strong positive feedback to the much-awaited $1.25bn issue. Bankers say the indicated spread of 28-30 basis points over comparable US Treasuries is generous, particularly as the bond is strippable.

INTERNATIONAL BONDS

Detaching the coupons from the bonds and selling them separately will add value, they say. Credit Suisse First Boston, joint book-runner with Goldman Sachs, said the issue was oversubscribed by buyers worldwide. Final pricing will take place today.

More large-scale activity is being forecast in fixed rate dollars, involving borrowers with large requirements locking into the low fixed rates available.

The durability of demand for collared floating rate notes continues to confound expectations, say bankers, noting that of all the issues so far this week only the Republic of Austria's has so far broken syndicate. Austria increased to $300m the 10-year collared floating rate note launched at the start of the week, in response to investor demand, said UBS Phillips & Drew, the lead manager.

Salomon Brothers said Nordic Investment Bank's $100m 10-year issue offers a slightly higher floor than some recent issues to reflect the relative trading levels of NIB paper compared with other supranational borrowers which are more traditionally considered to be retail names.

The run of Canadian dollar issues continued, bringing the total launched this week to five, worth C$850m. After General Electric Capital Corp's C$100m five-year 8 per cent issue went well and broke syndicate quickly, lead manager UBS said the main attraction for the retail investors targeted was the pricing.

Other bankers agreed the launch spread of 53 basis points looked generous. It tightened to around 49 basis points towards the end of the day. Electricité de France's C$200m five-year deal was also attractively priced, with a launch spread of 45 basis points, said bankers.

There was less certainty about Banque Nationale de Paris, which is tapping the 10-year area. Lead manager Hambros said it had detected strong retail demand, but the issue was thought to be moving rather slowly, given investor preference for five-year paper and for corporate rather than bank names.

Hambros said the majority of the paper was sold, but conceded that the volume of supply meant investors might find it difficult to choose. This is BNP's first issue since its debt was downgraded to Aa1 by Moody's Investors Service last December.

Crédit Commercial de France described Société Nationale des Chemins de Fer's FFr3bn 12-year 8¼ per cent domestic bond with warrants as a reopening of the French franc sector. It says around 55 per cent of the bonds were distributed internationally. SNCF also raised SFr300m over 12 years at 5¼ per cent through Swiss Bank Corp, representing the lowest coupon achieved for several years.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Republic of Austria(a)‡	100	(a)	100	Jan.2003	50/20bp	UBS P&D Secs.
Nordic Investment Bank(b)‡	100	(b)	100	Feb.2003	50/25bp	Salomon Bros.Int.
D-MARKS						
Bank for Dutch Municipalities	350	7	101.8	Feb.2000	2¼/1.95%	SBV(Deutschland)
Europaeische Hypobank(Lux.)	100	7.125	101.15	Jan.2000	1.2%	Frankfurter Hypobank
CANADIAN DOLLARS						
Electricité de France	200	7.75	101.155	Feb.1998	1⅞/1⅝%	Swiss Bank Corp.
Banque Nationale de Paris	100	8.375	100.675	Feb.2003	2/1⅞%	Hambros Bank
General Electric Cap.Corp.	100	8	101.625	Jan.1998	1⅞/1⅝%	UBS P&D Secs.
SWISS FRANCS						
Soc.Nat.do Chemins de Fer	300	5.25	101.5	Feb.2005	-	Swiss Bank Corp.
Landesbank Hessen-Thüringen	100	5.5	101.625	Feb.2003	-	Swiss Bank Corp.

Final terms and non-callable unless. ‡Floating rate note. a) Issue launched on Monday was increased to $300m. Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8¼%. b) Coupon pays 25bp below 6-month Libor. Minimum coupon 5¼%, maximum 8⅛%.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 6

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	12	16
Other Fixed Interest	3	3	9
Commercial, Industrial	447	230	746
Financial & Property	117	204	476
Oil & Gas	14	17	54
Plantations	0	0	9
Mines	19	37	84
Others	19	42	61
Totals	671	545	1,455

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1992/93 High	1992/93 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§220	F.P.	-	253	243	Critchley Group	253	+5	L6.1	2.2	3.2	17.9
-	F.P.	-	103	103	For. & Col. PEP Inv Tst.	103		F3.38	-	4.4	-
100	F.P.	-	102	101	Hoare Govett Smlr Co's	102	+1	-	-	-	-
90	F.P.	-	111	101	Hunters Armley	111		W3.38	2.2	4.1	14.8
51	F.P.	-	68	52	Intl Food Machinery	68	+7	-	-	-	-
-	F.P.	-	40	38	Jos Hldgs Cap	40		-	-	-	-
-	F.P.	-	94	92	Do. Inc.	94		F11.5	-	16.3	-
-	F.P.	-	110½	110	Do. Zero Div. Pf.	110½		-	-	-	-
165	F.P.	-	191	181	National Express	191	+6	W7.12	1.5	5.0	12.6
50	F.P.	-	53	52	OIS Intl.	52		N1.9	2.8	4.9	9.6
-	F.P.	-	1½	1½	♦Prime People Warrants	1½		-	-	-	-
-	F.P.	-	97	93	Second Consolidated	93	-2	-	-	-	-
65	F.P.	-	184	166	Tadpole Technology	179	+7	-	-	-	-
120	F.P.	-	195	192	♦Tepnel Diagnostics	195		-	-	-	-
160	F.P.	-	230	225	Wetherspoon (J D.)	230	+3	W4.8	2.6	2.8	18.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992/93 High	1992/93 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	116¼p	104¼p	Bristol Water 8¼pc Pf.	116¼p	
100p	F.P.	-	107½p	100½p	Commercial Union 8¾pc Cm. Pf	107½p	
100	F.P.	-	114½	104¼	NFC 7¾pc Cv. Bd. 2007	113¼	+¼
150p	P.P	-	129p	98p	Wassall Non-Int Brg. Cv. ULS	104p	+1½
-	F.P.	-	179½p	177½p	Yeoman Inv. Zero Prf.	179½p	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992/93 High	1992/93 Low	Stock	Closing Price p	+ or -
35	Nil	28/1	3pm	3pm	♦Hillclare	3pm	
100	Nil	1/2	29pm	25pm	♦Learmonth & Burchett	25pm	-2
85	Nil	5/2	¼pm	¼pm	Lonrho	¼pm	
5	Nil	11/2	1⅛pm	¼pm	Melville	¾pm	
25	P.P.	1/3	16	14	Property Trust	16	+1
2	Nil	11/2	2¼pm	¼pm	♦Regal Hotel	1¼pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. p Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Dec 21
● Last Dealings Jan 8
● Last Declarations March 25
● For settlement April 5

3-month call rate indications are shown in Saturday editions.

Calls in: Brown & Jackson, CMW, Greycoat, Hartstone, Medeva, and Walker Greenbank. Puts in: Airtours, Mowlem (J.) and Walker Greenbank. Puts & Calls: Medeva and Premier Cons.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
[illegible]							
Boots (*541)	500	46	59	66	3	8	18
	550	10	26	36	17	27	40
B.P. (*238)	220	20	25	30	2	7	11
	240	5½	13	19	7½	15	20
British Steel (*57)	50	9½	13	15	1½	3½	6
	60	2½	7	10	5	8	10½
Bass (*604)	600	43	61	77	5	15	26
	650	12	32	48	25	38	49
C & Wire (*705)	700	20	44	64	14	30	45
	750	4½	23	40	50	60	73
Courtaulds (*603)	600	29	36	49	16	27	47
	650	4	18	29	54	63	76
Com. Union (*635)	600	42	55	65	4½	20	29
	650	10	25	39	24	45	55
Fisons (*246)	240	18	34	43	9	22	33
	260	9	26	34	20	33	45
GKN (*461)	460	15	26	35	11	29	36
	500	3	11	21	41	57	61
Grand Met. (*445)	420	31	47	60	4	13	20
	460	8	24	33	20	28	37
I C I (*1108)	1100	31	57	80	22	67	80
	1150	11	33	59	53	100	113
Kingfisher (*589)	550	44	62	72	3½	14	25
	600	12	31	44	22	34	48
Ladbroke (*188)	180	15	25	29	6	15	22
	200	5	14	22	16	26	35
Land Secur (*438)	420	22	33	38	3	8	21
	460	3	12	17	26	29	45
M & S (*329)	300	32	39	43	2	5½	11
	330	10	20	25	10	15	24
Sainsbury (*579)	550	32	50	60	5	14	24
	600	6	22	34	27	38	48
Shell Trans. (*549)	500	52	56	64	1	7	12
	550	12	19	33	11	28	32
Storehouse (*195)	180	19	27	31	3	7	12
	200	7	14	23	10	16	21
Trafalgar (*84)	80	7½	11½	16	3	6	9
	90	2	7	10½	8½	12	14
Utd. Biscuits (*365)	360	13	23	29	7	20	26
	390	3	10	17	28	40	45
Unilever (*1091)	1050	56	77	92	6	24	36
	1100	21	43	62	23	55	59

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit. Aero (*187)	180	22	33	40	16	28	34
	200	15	27	33	27	41	46
[illegible]							
Cadbury Sch (*461)	460	19	26	36	16	27	34
	500	5½	12	21	44	57	60
Eastern Elec (*423)	400	28	40	-	9	16	-
	430	12	-	-	23	-	-
Guinness (*502)	500	25	39	47	18	32	38
	550	7½	19	27	52	63	70
GEC (*278)	260	24	31	35	3	5½	10½
	280	10	18	23	9½	14	20
Hanson (*235)	220	19½	22½	26	3	7	10½
	240	7	11½	16	10½	16	20½
LASMO (*164)	160	16	23	28	9	18	22
	180	8	14	20	22	31	36
Lucas Inds (*139)	130	19	25	30	8	15	21
	140	13	20	26	14	22	26
P. & O. (*527)	500	45	53	61	14	35	41
	550	19	30	39	40	65	71
Pilkington (*107)	100	14	20	23	6	11	16
	110	8	16	20	11	16	22
Prudential (*297)	280	24	28	32	5	12	16
	300	12	17	22	13	21	24
R.T.Z (*680)	650	45	57	70	15	32	40
	700	18	31	45	40	60	67
Scot. & New (*453)	420	44	54	61	4½	12	18
	460	17	28	37	19	26	36
Tesco (*273)	260	21	29	34	6½	14	16
	280	10	17	23	15	24	27
Thames Wtr (*498)	460	46	57	62	3½	7½	16
	500	17	30	35	15	22	33
Vodafone (*426)	420	24	39	48	16	26	33
	460	8½	22	30	41	49	56

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*377)	360	29	35	49	14	19	24
	390	14	21	29	31	35	39
Amstrad (*23)	20	5½	6½	7½	2	2½	3
	25	2½	3½	4	4½	5	5½
Barclays (*377)	360	34	40	44	21	27	35
	390	18	25	30	39	45	52
Blue Circle (*208)	200	26	32	40	15	25	30
	220	17	24	31	24	38	41
British Gas (*294)	280	24½	25½	32	6	12	15½
	300	11	14½	21	13	23	25
Dixons (*280)	260	34	41	47	11	17	24
	280	21	32	36	20	26	33
Eurotunnel (*335)	330	35	50	60	23	32	38
	360	21	33	47	40	50	55
[illegible]							
Nat Power (*273)	260	22	29	33	8	12	16
	280	12	19	22	18	22	28
Reuters (*1421)	1400	87	128	160	63	90	108
	1450	61	105	135	93	117	133
R Royce (*117)	110	15½	19	22	7½	11	14
	120	10½	14	17½	12½	16½	19½
Scot Power (*233)	220	18	24	28	5	7½	12½
	240	6½	12	18	15	17½	23
Sears (*101)	100	8½	10½	13	7	11	10
	110	3½	7	9	14	16	18
Forte (*191)	180	25	31	34	10	20	24
	200	14	20	26	20	31	35
Thorn EMI (*858)	850	49	67	75	29	40	55
	900	25	44	52	59	67	84
TSB (*152)	140	17	20	22	5½	8	12
	160	5½	10	13	17	19	22
Vaal Reefs (*328)	25	5½	6	5½	2½	3	4
	30	2½	4	3	5½	6	7½
Wellcome (*963)	950	67	90	120	38	60	69
	1000	42	66	90	67	86	98

EURO FT-SE INDEX (*2826)

	2675	2725	2775	2825	2875	2925	2975	3025
CALLS								
Jan	155	107	65	31	13	4½	1½	1
Feb	182	143	108	79	54	35	22	13
Mar	-	165	-	103	-	58	-	29
Jun	-	213	-	155	-	106	-	70
Sep	-	250	-	190	-	142	-	100
Dec	-	295	-	237	-	188	-	144
PUTS								
Jan	4	7	14	32	63	106	152	202
Feb	23	34	48	68	94	124	161	201
Mar	-	46	-	83	-	136	-	205
Jun	-	78	-	114	-	162	-	222
Sep	-	93	-	130	-	175	-	235
Dec	-	119	-	154	-	199	-	249

FT-SE INDEX (*2826)

	2650	2700	2750	2800	2850	2900	2950	3000
CALLS								
Jan	179	131	85	45	19	6	2	1
Feb	205	164	126	93	65	44	28	17
Mar	224	185	150	117	90	67	49	34
Apr	241	205	172	140	110	85	65	48
Jun †	-	230	-	168	-	116	-	77
PUTS								
Jan	2	4	8	19	45	85	132	182
Feb	19	27	41	58	84	114	150	190
Mar	30	40	55	73	97	125	159	197
Apr	44	56	70	90	110	136	158	205
Jun †	-	70	-	106	-	157	-	-

January 6 Total Contracts 28,655
Calls 17,243 Puts 11,412
FT-SE Index Calls 4,753 Puts 3,708
Euro FT-SE Calls 138 Puts 237
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Jan 6	Day's change %	Tue Jan 5	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	127.75	+0.04	127.70	2.03	0.00
2	5-15 years (23)	145.99	+0.10	145.85	2.46	0.00
3	Over 15 years (8)	152.08	+0.12	151.90	2.00	0.00
4	Irredeemables (6)	171.50	+0.02	171.46	1.47	0.00
5	All stocks (61)	142.10	+0.08	141.98	2.27	0.00
	Index-Linked					
6	Up to 5 years (2)	183.85	+0.05	183.76	1.03	0.00
7	Over 5 years (11)	166.24	+0.16	165.97	0.85	0.00
8	All stocks (13)	167.42	+0.15	167.17	0.87	0.00
9	Debs & Loans (62)	126.39	+2.26	123.59	4.62	0.12

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 6	Tue Jan 5	Year ago (approx.)
	British Government				
1	Low	5 years	7.14	7.20	8.85
2	Coupons	15 years	8.23	8.26	9.29
3	(0%-7¾%)	20 years	8.49	8.50	9.29
4	Medium	5 years	7.48	7.50	9.70
5	Coupons	15 years	8.65	8.66	9.35
6	(8%-10¾%)	20 years	8.85	8.85	9.31
7	High	5 years	7.72	7.73	9.91
8	Coupons	15 years	8.90	8.92	9.42
9	(11%-)	20 years	8.98	9.00	9.35
10	Irredeemables (Flat Yield)		8.85	8.85	9.53
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.58	2.59	3.99
12	Inflation rate 5%	Over 5 yrs.	3.82	3.83	4.32
13	Inflation rate 10%	Up to 5 yrs.	1.78	1.79	3.36
14	Inflation rate 10%	Over 5 yrs.	3.64	3.64	4.15
15	Debs &	5 years	8.88	8.88	11.07
16	Loans	15 years	9.78	9.85	10.90
17		25 years	9.98	10.05	10.73

Tarmac restructures housebuilding side

By Peggy Hollinger

TARMAC, Britain's biggest housebuilder, yesterday unveiled details of a restructuring which will mean the loss of 273 jobs from its 3,000-strong housing division and reduce the size of its housebuilding operation by 20 per cent.

The group said it planned to shut four of its 20 operating units in the south of England and the Midlands. It also said it planned to reduce the number of sites and show homes, which adversely affect costs. The overall target was to cut working capital by £100m and sharply reduce overheads.

Analysts are estimating an overall reduction of £18m in overheads to £54m, and working capital this year of less than £300m.

Mr Sean Bruen of Tarmac said the group aimed to sell just 7,000 homes in 1993, compared with last year's 8,000. The sales in 1992 had been achieved on a total of 350 sites.

This was too high a ratio of homes to sites, he said. In 1988, for example, Tarmac had sold more than 12,000 homes from just 270 sites.

The group also announced the intended sale of its joinery business, the 11th of 19 planned disposals. Since announcing the disposal programme last spring, Tarmac has sold 10 businesses, for a total of £150m.

The restructuring plan had been announced at the time of the interim results in September, when the group warned of heavy provisions due to property writedowns for the full year.

Analysts said the actions had been expected, although some suggested yesterday's details might even dampen the persistent bid rumours which have plagued Tarmac for some time.

"The window of opportunity for a bid was in September," said one analyst. "This announcement puts flesh on the restructuring."

The housing division, which fuelled Tarmac's rapid growth in the boom years of the 1980s, has been blamed for the group's falling profits in the past two years. Analysts are expecting after tax losses of as much as £250m for the year ended December 31.

Write-downs push losses at Stanhope Props to £215m

By Roland Rudd

EXCEPTIONAL items of £184m related to write-downs on the company's property pushed pre-tax losses from £77.4m to £215m at Stanhope Properties in the year to June 30.

Net asset value fell from £391.1m to £42.2m.

The company has also concluded a refinancing of its bank debt, without which the asset value decline would have resulted in breaches of loan covenants.

The agreement extends a revolving credit facility of £160m due for repayment December 1993 to December 1996. It will be reviewed in 1994. Interest will be capped for two years.

The share price yesterday fell 6p to 17p.

An extraordinary meeting will be held on January 29 to amend the articles which restrict borrowings to two and half times the adjusted share capital and reserves of the group.

The board is proposing a maximum specified amount of £300m to cover existing borrowings.

The company has debt of £220m resulting in an increased interest charge of £20.1m (£11.6m).

Last November its banks agreed to a refinancing for its joint venture company Rosehaugh Stanhope Developments (RSD), which built the Broadgate office complex in the City of London. Its net asset value has fallen from £341m to £103m.

Stanhope's joint venture partner Rosehaugh went into receivership shortly after the RSD refinancing was agreed.

Mr Stuart Lipton, chief executive, said: "We have tried to be realistic. With hindsight it would have been better if the board had embarked on a disposal strategy at an earlier stage in the business cycle."

Since the year end, RSD has sold three buildings and Stanhope has sold its building at Knowle Green, Staines.

The board said that the banks' support would enable it to undertake a measured debt reduction programme over the medium term, in line with an expected improvement in property values.

Turnover increased to £56.9m (£42.9m).

Annual costs have fallen from £9.8m to £8m. The number of employees at the end of June was 83, but has since been reduced to 42.

Losses per share rose to 128.6p (40.09p). There is no dividend.

Stead & Simpson considers buy-out

By Neil Buckley

STEAD & SIMPSON, the UK shoe retailer, is considering a buy-out from Clayform Properties, the property development and investment group which acquired it for £120m in 1988.

Rumours have been circulating in the shoe trade that S&S believes it would be able to operate more effectively and gain greater support from suppliers if it separated from Clayform, and has been looking for a possible exit for some months.

The shoe chain reported an increase in operating losses from £2.7m to £3.2m when Clayform announced a half-year pre-tax deficit of £10.9m last September.

Mr Peter Gee, S&S managing director, said yesterday he could neither confirm nor deny that a buy-out was planned. "I can make no comment at the moment. If we had got something together then we would tell you. We have looked at all sorts of things." Coopers & Lybrand Deloitte, the chartered accountants, are believed to be working on a deal with S&S but also refused to comment.

Clayform first bid £89.5m for S&S in 1988, but was defeated despite raising its bid to £108m. The company retained a 41 per cent stake and talks were reopened in May 1989. The two sides reached agreement on a revised £120m cash offer the following month.

The acquisition created a heavy debt burden which Clayform found difficult to service after the fall in property values with the onset of the recession. Borrowings have, however, been reduced from £130m to about £35m in the last two years.

S&S profits peaked at £10.9m on turnover of £90.5m for the year to March 1989, but has since has fallen into losses.

Storm clouds facing tour bosses

Richard Gourlay on Airtours' hostile bid for Owners Abroad

HOLIDAYMAKERS heading for the sun this summer may never notice the difference. But their tour operators are likely to be in the midst of one of the most fundamental shake-ups in the holiday industry since Harry Goodman's International Leisure Group crashed in 1991.

Yesterday, Airtours, the UK's third largest tour operator, launched its much flagged hostile bid for Owners Abroad, the number two in the industry.

Should the deal go through, the enlarged Airtours will have nearly as large a share of the UK market as Thomson, the dominant market leader for much of the last decade.

Apart from any regulatory hurdles on competition grounds, the main obstacles to this being a straightforward takeover battle is the presence of Thomas Cook, once a subsidiary of Midland Bank but now controlled by Westdeutsche Landesbank, the Dusseldorf-based state bank.

Last month, Owners Abroad and Thomas Cook agreed a tie-up which would give Thomas Cook a 10.3 per cent stake in Owners.

The German-controlled company said its wanted to be a part of Owners' plan to develop a pan-European travel company.

In return, Owners would get access to the well known brand name for marketing purposes and increased access to the extensive Thomas Cook chain of retail outlets.

All eyes are, therefore, on WestLB; LTU, the rapidly growing German tour operator in which the bank has a 34 per cent stake, and Thomas Cook.

"There is a big difference between putting £237m in a bid and what they [the Germans] are proposing," said Mr David Crossland, chairman of Airtours. "Are they really that serious or do they just want a tricky arrangement."

Ashley Ashwood

Holiday chiefs on the takeover trail: David Crossland (centre), chairman of Airtours, with Hugh Collinson (left), the company's managing director, and finance director Harry Coe

The proposed deal was not good for Owners' shareholders, when compared with the benefits of accepting the Airtours share offer, he said.

Mr Howard Klein, Owners chairman, said yesterday that he still believed in the commercial logic of the deal with Thomas Cook and that the Airtours offer undervalued the benefits of the tie-up.

"The Thomas Cook deal is right for Owners shareholders; we are fully committed and Cooks and LTU and Westdeutsche are fully committed," he said. "We believe it is a better deal."

But there is little doubt that should WestLB and Thomas Cook want to push through with the alliance, Owners shareholders may require a rather sweeter deal to be put to them if they are not to be tempted by an Airtours offer.

That is not to say that Airtours offer is a knockout blow. The offer, worth £221m at yesterday's close, represents a substantial discount to the market's prospective earnings multiple. As one City observer said yesterday: "The price does look a bit mean if Airtours is gaining control and doubling its market share."

But there again, Airtours boasts a substantially glossier track record.

In the five years since Mr Crossland floated Airtours, with a market capitalisation of £27m, earnings per share have grown at a compound annual rate of 59 per cent and market share in tour operations has grown from 4 per cent to about 13 per cent, much of it at Thomson's expense. In 1990 and 1991, Airtours was among the fastest growing stocks in the London market and now has a market capitalisation of nearly £300m after issuing only £17m of new shares.

By comparison, Owners Abroad has not shone. In particular, it missed its footing in the early marketing of its 1992 holidays, believing the market would sustain a price increase, and did not take as much advantage of the ILG collapse.

While Airtours' profits in the year to September last year rose 33 per cent and sales grew 40 per cent, Owners' profits fell nearly 20 per cent on sales that grew only half as quickly. In the real acid test for shareholders, Owners' earnings grew only 6 per cent on a compound basis over the last five years.

In announcing its deal with Thomas Cook, Owners said it would benefit from £7m of cost savings in the first year of the tie-up.

Airtours said yesterday that its savings from a merger would be significantly in excess of this. Mr Crossland said their combined marketing operations would benefit as Owners was stronger in the south of England while Airtours was stronger in the north and in Scotland.

The combined group would also be in a far stronger position in the buying of 40m bed nights a year in Europe – it did not take a calculator to see what impact a 10p per bed saving would have on profits, Mr Crossland said. And finally, Airtours would reduce what it sees as a confusing number of Owners holiday brands.

Ultimately, Owners seems likely to maintain its independence if it can convince shareholders that the commercial logic of developing a pan-European holiday company is worth more than Airtours offer.

Potential shareholders in an enlarged group should remember, however, that Thomson may well try to defend its relative market position by initiating yet another price war.

TV-am places 16% stake in Metro Radio for £4m

By Raymond Snoddy

TV-AM, the loss-making commercial breakfast television company, has placed its 16 per cent stake in the Newcastle-based Metro Radio Group in a deal worth some £4m.

The exact price of the deal, which involved 2,77m shares, was not disclosed. Metro shares yesterday rose 8p to 158p.

The sale of the shares is the latest sign that TV-am, which went off the air on December 31 before giving way to Good Morning Television, is clearing the decks for a voluntary liquidation of assets.

Mr Bruce Gyngell, TV-am chairman, is planning to move to Australia to be chairman of Channel 9 and it was announced yesterday that Mr Statis Zographos, finance director since 1984, is to be commercial director of the ITV Network Centre.

Talks are believed to be under way with the Virgin Group about selling TV-am's stake in Virgin Radio, the joint venture which will launch a national commercial pop radio station this spring.

At the moment Mr Gyngell is chairman of the station which is based at Woking in Surrey.

TV-am is also in talks with two potential purchasers of its studios at London's Camden Lock.

Last month the company announced it was distributing £26m in surplus cash to shareholders.

Wassall keeps its options open on Evode bid

Wassall, the mini-conglomerate, yesterday gave itself the option of increasing its £113.2m final offer for Evode, the chemicals and plastics group, by withdrawing its recent statement in which it said its bid would not be increased.

The Wassall board said this decision was taken following the competitive situation which arose as a result of the announcement by Laporte, the UK's second largest quoted chemicals group, that it was close to making a recommended bid above £1 a share for Evode.

The news took Wassall by surprise. It had just announced its final offer of 95.2p a share.

Inchcape invests £10m to expand Oman motor side

INCHCAPE, the motor and business services group, has expanded its motor import and distribution operations in the Middle East.

It has bought a 49 per cent beneficial interest in Towell Auto Centre, which has exclusive import and distribution rights for Mazda in Oman, for OR5.6m (£9.6m).

It is paying WJ Towell, TAC's owner, £8.4m cash on completion and the balance in equal chunks over three years.

Inchcape will manage TAC, which has a 7 per cent share of the car market in Oman, selling 2,100 cars a year.

In addition, TAC distributes Castrol lubricants, Lucas parts and Suzuki motorcycles in the Sultanate.

Mr Derek Whittaker, a director, said: "Inchcape has a long-standing relationship with Mazda.

"It is the exclusive importer and distributor of Mazda vehicles in France, Hong Kong and Finland, has a 40 per cent share of the Mazda UK import and distribution business and 50 per cent of the joint venture which markets Mazda vehicles in South China."

He added that Inchcape already had a number of joint ventures in Oman with WJ Towell, which will control the remaining 51 per cent of TAC.

In March 1992, Inchcape bought TKM, funded by a £376m rights issue.

It now sells more than 350,000 vehicles a year in 26 countries.

NEWS IN BRIEF

AEROSPACE ENGINEERING is forming a new power and control division, which will include VFP Fluid Power, VNE (Nuclear) and Ray Technologies. The three companies have been amalgamated to form a single operating unit to be known as Forward Industries.

ATLAS CONVERTING Equipment is buying Promatec Coating Equipment for an initial £150,000 satisfied by the issue of 26,316 ordinary shares. A further £1m would be payable after four years depending on the profitability of Promatec in that period.

AUTOMATED SECURITY Holdings has sold a licence to TVX, of Colorado, for $400,000 (£263,000) to manufacture TVX, a visual alarm verification system developed by ASH. In consideration for its licence fee, ASH has increased its stake in the US company from 21 per cent to 40 per cent.

BECKENHAM GROUP has bought the fixed assets, stocks and certain debtors of Zest Equipment from BM Group for £631,000 cash, of which £291,000 is payable immediately and the rest in four equal monthly instalments.

DUNKELD GROUP: Recent open offer taken up by qualifying shareholders in respect of 618,580 new ordinary, representing 8.65 per cent of shares offered.

TRIBUNE NEWSPAPERS' recommended offer for Tribune Publications has been accepted as to 2.42m shares (85 per cent). The offer has been declared wholly unconditional and will remain open until January 31.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables

TODAY

Interims- Abbey, Druck, Savills, Vardy (Reg), Williamsons Tea

FUTURE DATES

Interims-	
British Bloodstock Agency	Jan. 15
Dalgety	Feb. 15
Photo-Me	Jan 18
Finals-	
Assoc British Ports	Mar. 11
Bullough	Feb 1
Eurotherm	Jan 19
Intercare	Jan 14
Selective Assets Trust	Jan 22
Southern Business	Jan. 13

Coats in talks over Youghal minorities

By Maggie Urry

COATS Viyella, the textile group, is in talks which could lead to it making an offer for the 28.2 per cent of Youghal Carpets it does not already own.

However, any offer for the County Cork-based company would probably be "at a substantial discount to the current market price" it said.

Youghal's shares were quoted yesterday at 13p, unchanged on the day, but have risen from 2p recently, a rise which forced the announcement.

Coats made an agreed bid for Youghal in 1987 at 1p a share but a minority of holders did not accept. At the time of the bid Jaykeel Investments, an independent investment company based in the Channel Islands, had started to build a stake in Youghal and now holds 18 per cent.

Youghal has suffered worsening losses in recent years. In 1991 pre-tax losses were I£3.7m (£3.88m) and in the first half of 1992 it lost a further I£2.2m.

GT Management sets up open investment company

By John Authers

GT MANAGEMENT, the fund management group, is launching an open-ended investment company to invest in the debt of emerging markets. It initially hopes to raise between $30m (£19.7m) and $40m.

The GT Emerging Markets Bond Fund will be authorised in Dublin and is aimed at institutional investors in the UK and continental Europe. The launch period will last from January 11 to January 22, with a minimum subscription of $400,000.

Mr Robert Stirling, GT's senior global fixed income fund manager, said the fund would aim to capitalise on small emerging markets as they removed barriers to global trade. It plans to have a 40 per cent weighting in Latin America, with holdings of 8 per cent in Asia, 24.5 per cent in Europe and 27.5 per cent in the Middle East and Africa.

Mr Stirling said the risk was higher than for other government bonds, but that factors working in favour of emerging markets, such as anti-inflationary policies and attacks on fiscal deficits, were favourable for fixed-interest investors.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Banks (Sidney) ....int	3	Apr 2	2.75	-	8.25
Bespak ....int	4	Feb 25	3.5	-	9
Cassidy Bros § ....int	0.75	Apr 6	0.75	-	2.4
Fleming High ....int	1	Feb 19	1	-	3.5675
Hollas ....int	0.6	Apr 1	0.6	-	1.2
Irish Cont'l ....fin	2.42♣	-	2.2	2.42	2.2
Quality Care ....fin	0.75	Feb 3	-	0.75	-
Property Sec ....int	1.5	Apr 1	1.5	-	3.75

Dividends shown pence per share net except where otherwise stated. §USM stock. ♣Irish pence.

LEGAL NOTICES

NOTICE OF APPOINTMENT OF LIQUIDATOR
VOLUNTARY WINDING UP (MEMBERS)
PURSUANT TO SECTION 109 OF THE
INSOLVENCY ACT 1986

Company Number 2548909
Name of company NOVOTOUR LIMITED
Nature of Business: Travel Operators
Type of Liquidation: Creditors
Address of Registered Office: Basted Lane, Old Basted, Borough Green, Kent, TN15 8BA
Names and addresses of Joint Administrative Receivers:

N. Ruddock	R. W. J. Long
Robson Rhodes,	Robson Rhodes,
The Galleria,	Bryanston Court,
Station Road	Selden Hill
Crawley, West Sussex	Hemel Hempstead,
RH10 1HY	Herts, HP2 4TN

Office holder numbers 8877 and IPA 111
Date of appointment 21 December 1992
By whom appointed: Members
N. Ruddock, Liquidator

IN THE MATTER OF
HENDERSON DESIGN & BUILD LIMITED
AND IN THE MATTER OF THE INSOLVENCY
RULES 1986

In accordance with rule 4.106 of the Insolvency Rules 1986 notice is hereby given that N. Ruddock, of Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex, RH10 1HY and Brian Mills of Booth White, 2 Nelson Street, Southend, SS1 1EF were appointed joint liquidators of the above company by the creditors on 18th December 1992
Dated this 21st day of December 1992
N. Ruddock, Joint Liquidator

Company number 2465283
Registered in England
FOX'S LEISURE LIMITED
(Joint administrative receivers appointed)

Notice is hereby given, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham on Tuesday 19 January 1993 at 2.30pm for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at 43 Temple Row, Birmingham B2 5JT, no later than noon on 18 January 1993, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

John P Powell and Ian N Carruthers
Joint Administrative Receivers
Dated: 31 December 1992

ART GALLERIES

COMPANY NEWS: UK

Quality Care's £1.8m beats placing estimate

By Maggie Urry

QUALITY CARE Homes, the nursing homes operator, saw its share price rise 15p to 225p yesterday after announcing a jump in pre-tax profits from £781,000 to £1.84m in the year to October 31.

The figure exceeded the £1.75m estimate which accompanied the company's £4.2m placing and stock market listing in July last year. The placing price was 136p.

Profits were stated after exceptional costs of £152,000 related to the listing.

Turnover was £6.2m, up 87 per cent on the previous £3.32m.

Mr Duncan Bannatyne, managing director, said the better than expected performance had continued in the first two months of the current year.

Occupancy rates had been 98.4 per cent in established homes. Two homes opened in May and July had filled up faster than expected.

Mr Bannatyne said the company was "better placed than most to withstand any competitive pressure on prices" which might result from the change in April from central to local government funding of nursing care for the elderly.

During the year the number of beds rose from 440 to 540 and a total of 750 is expected by October, with three homes opening and one being extended. The average capital cost per bed is £17,500.

Net interest paid in the 12 months was £458,000 (£425,000) and after a 30.1 per cent (34.3 per cent) tax charge, earnings per share rose from 5.13p to 11.77p, or 12.78p excluding the exceptional charge.

A final dividend of 0.75p is proposed, as forecast. A 0.15p payment was made prior to the placing. Had QCH been listed for the whole year a total dividend of 4p would have been paid.

Borrowings were cut to £2m, 15 per cent of shareholders' funds, from £5m at the end of the previous year and £5.5m at the flotation.

Capital expenditure in the year was £3.06m, compared to cashflow generated from operations of £2.58m.

Mr Bannatyne said gearing would rise this year – the rate depended on the amount of land bought for development beyond the current year – but would not exceed 50 per cent.

CUC Intl acquires Leaguestar for $70m

By Maggie Urry

LEAGUESTAR, the private company which runs the Worldex timeshare exchange business and a chain of US travel agents, is being bought for $70m (£45.5m) by CUC International, the US computer merchandising group. The price compares with a value for the company of about £12m in 1988.

Leaguestar, a venture capital backed business, had originally aimed at a flotation but found that a higher price could be obtained through a trade sale.

It was formed in 1988 when TTI, an Isle of Man trustee company which acted for timeshare companies, was merged with Worldex, with £6m of backing from institutions led by Lloyds Development Capital.

As part of the sale to CUC, TTI has been bought by its management for about £250,000. Mr James Edmonds and Mr Simon Bowen, who set up Leaguestar, have sold their stakes and left the group.

Leaguestar's profits have grown rapidly. In 1991 it made a pre-tax profit of £5.2m on turnover of £25.8m. Profits in 1990 were £2.8m and in 1989 £1.2m.

Lloyds Development Capital said it originally invested £1.5m but had been repaid just over £1m, leaving it with an equity stake at a cost of £450,000. Under the deal it received £3.45m for the shares.

Transformed Flextech £3m in loss

By Peggy Hollinger

A DEPARTURE from the oil services business left USM-quoted Flextech showing pre-tax losses of £2.9m for the half year to September 30.

For the opening half of the previous year the company returned profits of £3.9m.

The announcement prompted a 5p fall in the shares to 81p.

However, they had risen sharply since January 1 following speculation on an imminent deal with BSkyB for paid subscription of The Children's Channel, which is indirectly 51 per cent owned by Flextech. No deal was announced, although it has been reported that an agreement has been signed.

Flextech, which in recent years has been shedding its oil investments, has been transformed into a company with interests in cable and satellite television. In July it concluded the sale of Expro, its last oil services subsidiary, to management for £55m.

The sharp decline in turnover from £27.9m to £2.14m and the lapse into losses reflects the disposal.

Mr Roger Luard, a director, was enthusiastic about the future despite continued losses at The Children's Channel. This incurred a deficit of more than £3m for the whole of last year. The number of cable and satellite users in the UK alone had grown by 70 and 40 per cent respectively from October 1991 to October 1992, Mr Luard said. TCC had benefited from the increase with a 30 per cent rise in overall revenues.

However, the improved performance had been offset by the increased costs of renting an extra satellite for better and wider transmission.

Mr Luard said the need for an extra satellite, and therefore the additional costs, would soon be eliminated by the transfer to an alternative Astra facility.

Flextech's other investments – IVS, which operates local cable franchises, and HIT, which distributes children's programming – had turned in encouraging results, Mr Luard said.

The group also announced it intended to change its year-end from end-March to December 31. It would also review its dividend policy in the light of the altered business.

Losses per share worked through at 5.86p (earnings 6.34p).

US buy helps Bespak rise 68% to £5.01m

By Matthew Curtin

Expansion in the US reaped rich rewards for Bespak in the half year to October 30 as the specialist medical equipment manufacturer's pre-tax profits jumped by 68 per cent, from £2.98m to £5.01m.

Turnover rose to £27.4m (£16.4m) of which £10.4m came from Tenax, the US medical components maker, which Bespak bought for £32.8m last March.

The interim dividend is increased from 3.5p to 4p. Earnings per share improved from 11.1p to 13.2p, but were diluted by last year's £25.5m rights issue.

Buying Tenax reduced the group's heavy reliance on its business with Glaxo – Bespak makes the aerosol valves in inhalers used to project anti-asthma drugs such as Ventolin – which accounted for 39 per cent of sales in 1991 but only 25 per cent last year.

Mr Alun Wicks, finance director, said the group's absorption of Tenax was nearly complete and its performance was boosted by demand, growing by about 20 per cent a year, for components used in the burgeoning minimal invasive surgery market.

Irish Continental advances to I£4.13m

Irish Continental, the Dublin-based shipping company which last year acquired the B&I Ferries operation, reported a pre-tax profit of I£4.13m (£4.33m) for the year to end-October.

That compared with I£3.21m and came from turnover up from I£30.9m to I£98.2m. Earnings were 21.8p (14.8p) and the dividend 2.42p (2.2p).

NEWS DIGEST

Hollas ahead to £255,000

PROFITS OF Hollas, the textile, garment importing and mail order group, rose to £255,000 pre-tax for the half year ended September 30.

That marked an improvement of 8.5 per cent on last time's £235,000 and came from turnover of £15.9m (£18.54).

The directors explained that the fall in turnover reflected direct or commission business replacing conventional sales in the garment importing division and did not reflect a lower level of overall activity.

The interim dividend is held at 0.6p from same-again earnings of 0.3p.

Mr Tony Lawson, chairman, believed the joint venture with Kleen-e-ze, announced last October, was a "substantial" step forward for Hollas.

The shares rose 2p to 16½p.

Cassidy Bros rises 9% to £716,000

Cassidy Brothers, the USM-quoted toys and nursery goods manufacturer, achieved a near 9 per cent improvement in pre-tax profits to £716,055 for the half year to October 31.

Directors said the increase was achieved by holding down costs in addition to investment of over £400,000 on non-recurring capital projects to further strengthen infrastructure and increase production efficiency.

Turnover rose from £4.07m to £4.35m. Earnings emerged 9.02p (8.39p) and the interim dividend is held at 0.75p.

Property Security grows to £3.9m

Property Security Investment Trust lifted pre-tax profits 29 per cent rise to £3.88m in the first half to September 30.

Total rents grew to £9.5m (£8.63m) and dealing profit improved to £115,000 (£43,000). The interim dividend is maintained at 1.5p.

Banner Homes back in black with £4,000

Higher margins and interest rate cuts helped Banner Homes, the USM-quoted construction and property group, return to profit with £4,000 at the end of the six months to September 30.

The result was achieved on sales of £3.37m. In the first half of 1991, a restated £483,000 loss was reported on sales of £3.44m.

Fleming Intl High earnings improve

Net asset value per ordinary share of the Fleming International High Income Investment Trust rose from 33.7p to 39.8p over the 12 months to November 30.

The figure for the zero dividend shares improved from 65.2p to 73.6p over the same period.

Available revenue for the half year to end-November totalled £2.36m (£1.78m), equal to earnings of 2.11p (1.59p) per share. An unchanged 1p interim dividend is declared and a same-again 3.5675p total is forecast.

Expansion for Apollo Metals

Apollo Metals, the USM-traded aluminium distributor and processor, has bought Oxford Magnet Technology's plate and bar centre, a 12,000 sq ft factory at Eynsham, Oxfordshire, for what it described as its asset value.

Oxford Magnet, a supplier of magnets for body scanners, has been using the factory for the first stages of aluminium processing, largely for its own use.

Apollo will take over this function as part of a supply agreement with Oxford Magnet, adding in the first year of operation £500,000 to group turnover.

Alvis backs MBO at Norton offshoot

Norton Group, the troubled engineering and motorcycle company, has sold, through its Norton Motors subsidiary, its unmanned air vehicle rotary engine business to a management buy-out.

The deal, led by Mr David Garside, former director of engineering at Norton Motors, was effected through a new company, Alvis UAV Engines which is 75 per cent owned by Alvis, the defence contractor. Total consideration amounted to £340,000 plus stock at agreed value.

UAV engines are used in target drones and small surveillance vehicles for obtaining battlefield information. Other uses may extend to border patrols, counter insurgency and drug interdiction operations.

Sidney Banks moves ahead to £996,000

Sidney C Banks, the grain and agricultural specialist, reported a 23 per cent rise in pre-tax profits to £996,000 for the half year ended October 31.

The shares responded with a 10p rise to 172p.

Turnover amounted to £119.2m (£114.7m). Earnings increased from 11p to 12.4p per share and the interim dividend is stepped up from 2.75p to 3p.

Taylor Woodrow data graphics sale

Microfilm Reprographics has acquired Taywood Data Graphics, part of Taylor Woodrow Construction, for £1.84m cash.

Taywood had turnover of £2.39m and gross profit of £310,000 in the 11 months to November 30. It specialises in converting mapping and graphical information into digital form.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 07.01.93: Pool purchase price £/MWh	Firm Prices for Trading on 18.12.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.25	17.72	17.72
0100	20.61	23.29	24.58
0130	20.61	28.65	30.14
0200	20.61	28.85	30.10
0230	17.73	23.00	24.21
0300	17.71	22.83	24.04
0330	17.71	22.83	24.04
0400	17.54	20.03	20.03
0430	17.47	17.72	17.72
0500	17.47	17.72	17.72
0530	17.58	17.71	17.71
0600	17.54	17.69	17.69
0630	17.72	17.75	17.75
0700	20.67	18.24	18.24
0730	21.48	23.05	24.31
0800	21.70	24.10	25.38
0830	25.40	24.50	25.77
0900	25.40	28.35	29.75
0930	22.82	24.39	25.63
1000	22.82	28.35	29.74
1030	21.75	28.35	29.74
1100	21.75	28.35	29.74
1130	21.75	24.50	25.76
1200	21.76	24.50	25.76
1230	22.85	24.50	25.77
1300	22.82	24.39	25.66
1330	21.74	24.39	25.67
1400	21.74	24.39	25.67
1430	21.74	24.39	25.67
1500	21.74	24.39	25.67
1530	21.75	24.39	25.67
1600	23.83	27.06	28.45
1630	26.21	31.39	33.61
1700	27.82	33.99	36.91
1730	27.70	35.16	37.87
1800	27.16	32.78	35.10
1830	26.14	28.50	29.92
1900	25.16	27.86	29.16
1930	23.81	27.20	28.47
2000	23.81	26.45	27.71
2030	21.59	23.05	24.23
2100	21.46	22.89	24.07
2130	20.67	22.89	24.08
2200	18.02	22.89	24.09
2230	17.72	22.89	24.10
2300	17.56	18.33	18.33
2330	17.51	17.72	17.72
2400	17.49	17.71	17.71

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.
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PUBLIC WORKS LOAN BOARD RATES

Effective January 6

Quota loans*

Years	EPT	ANT	maturity
1			6⅞
Over 1 up to 2	6⅞	7	7¼
Over 2 up to 3	7⅛	7⅛	7½
Over 3 up to 4	7⅜	7⅜	7⅝
Over 4 up to 5	7½	7½	7⅞
Over 5 up to 6	7½	7⅝	8⅛
Over 6 up to 7	7⅝	7⅝	8⅜
Over 7 up to 8	7¾	7¾	8¾
Over 8 up to 9	7¾	8	9
Over 9 up to 10	8	8⅛	9¼
Over 10 up to 15	8⅝	9⅛	9⅝
Over 15 up to 25	9	9¾	9⅞
Over 25	9⅞	10	10

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ‡Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only

Slide in coffee prices continues as 'squeeze' ends

By David Blackwell

WORLD COFFEE prices continued to fall sharply yesterday, decisively ending the rally which had boosted the New York market by more than 70 per cent between August and Christmas.

In London the March robusta contract closed at $930 a tonne, down $44 on the day following a fall of $38 on Tuesday. New York's nearby arabica contract, which went from 48.10 cents a lb in late August to touch 83.55 cents in Christmas week, was hovering above 70 cents in late trading yesterday after falling 3 cents on Monday.

Mr Lawrence Eagles, analyst with GNI, the London futures broker, said the retracement in a market that was "not rational" marked the end of a classic squeeze. He believes that some roasters who were caught short as the market soared are now fully covered.

However, Mr Peter Kettle, analyst with E.D. & F. Man, said that the retreat was mainly technical, following a sharp reduction in the long position held by commodity funds and speculators in New York. Last week they were reported to be holding 12,000 lots, equivalent to 3.5m bags (60 kg each).

London traders said the robusta market had followed New York down. "I may be over-simplifying, but it looks like New York is trying to find a foothold at 70 cents," said one, adding that market confidence had "taken a severe bashing".

Ms Judy Ganes, analyst with Merrill Lynch in New York, said prices had been hit by speculative liquidation, but she was convinced that the fall did not mark the end of the recent bull run, which had been underpinned by good fundamentals, especially an expected fall in Brazilian production.

Recent figures from Landell Mills Commodities Studies show world production down to 87.04m bags last year from 1991's 93.87m bags. Consumption in importing countries edged ahead to 73.73m bags from 73.5m bags the previous year.

However, producer stocks at 46.65m bags and consumer stocks of 19.2m bags add up to nearly a year's consumption in importing countries.

The Ivory Coast yesterday destroyed the first 60 tonnes of cocoa out of 1,000 tonnes consficated for failing to meet export quality standards and said it would destroy all sub-standard beans whenever they were discovered, reports Reuter from Abidjan.

The 60 tonnes was only a test batch to find the best way of burning the beans and more would be burnt tommorow, officials said.

Norway's oil output cut as storms rage

By Karen Fossli in Oslo

NORWEGIAN North Sea crude oil production was sharply reduced yesterday as raging storms forced the closure of one field and threatened to halt production at others, according to Statoil, the Norwegian state oil company.

Production from the Statfjord field, Norway's biggest oil field which is operated by Statoil, was cut to 190,000 barrels a day from 700,000 while production from the 100,000 b/d Snorre field, operated by Saga Petroleum, ground to a halt. The Snorre floating tension leg platform also suffered some minor damage from the storms.

Crude oil storage at Statfjord, which also contains Snorre oil, was nearly full as several tankers, unable to dock at nearby offshore loading buoys in recent days, queued while waiting for high seas to calm.

Statfjord yesterday produced at less than one-quarter of its normal rate but Statoil was hopeful that tankers would be able to resume loading from the field today.

Statoil said production from its Gullfaks field had just one day or so of production left due to limited storage capacity. Tankers load oil from storage tanks situated in the legs of the Gullfaks platform substructure. Production at Gullfaks may have to be scaled down significantly unless the storms abate, Statoil warned. The field set a production record on January 1, when output hit 530,000 barrels. Gullfaks averaged 431,000 b/d last year.

Huge harvest tests strength of Chicago bulls

The supply of cheap feed grains is also fuelling a boom in US livestock production, writes Laurie Morse

CHICAGO GRAIN futures are starting the year burdened by the huge harvest that has just been completed and by the uncertain status of a key export market – the former Soviet Union. Still, poor harvests in other areas of the world and prospects for smaller US crops next autumn should provide ample speculative opportunities in the futures markets through the year, analysts say.

The supply of cheap feed grains is also fuelling a boom in livestock production, a factor that is likely to weigh down Chicago cattle and hog futures prices as the year wears on.

Mr Chuck Levitt, senior livestock analyst for Shearson Lehman Brothers, says the very sharp drop in animal feed costs virtually ensures that total US meat output in 1993 will be a record. He projects overall production of US beef, pork, and poultry at 68bn lbs this year, 3 per cent above the 1992 record.

Despite the output boost, Mr Levitt says prices will be lower, "but there will be no train wreck". Larger meat exports, lower retail pork margins and expanding meat processing capacity in the US will help to absorb the surplus. He projects prices for choice fed cattle on the southern plains at about $70 a *hundredweight* by the third quarter, about $4 below last year's price. For hogs, he expects average prices to be $1 to $3 below 1992 levels.

Prices are already near the low for the present crop year

The biggest event for US meat and grain markets in 1992 was the enormous US maize crop. The US Department of Agriculture is scheduled to release its final maize production figure on 12 January, but for now the harvest is estimated at a record 9.3m tonnes. Despite reported crop losses in northern states, where foul weather delayed harvesting, prominent analysts say record yields in other states will cause the production figure to be revised upward, to about 9.4m tonnes *in* next Tuesday's report. If that happens, traders expect the price of maize for March delivery at the Chicago Board of Trade to drop below the current $2.14½ a bushel contract low. However, Mr Dale Gustafson, senior grains analyst for Smith, Barney, Harris and Upham, believes the same report will show heavy US maize use. Despite its abundance, the 1992 maize crop has been low in protein, encouraging heavier consumption for livestock feeding.

"My bias is that next week's report will suggest more domestic maize consumption in the first quarter [of the crop year] than the trade perceives," *he says*. Prices are already near the low for the year, Mr Gustafson points out, and he expects that domestic and export demand will gradually pull futures prices higher, though not much above the $2.30-a-bushel level.

Analysts are not counting on Russia as an export market for US feedgrains in the first quarter, given its credit problems. Still, other importers are expected to fill the gap; South Africa, for example, is expected to be a net maize importer this year because of its own poor crop.

With the US government requiring farmers to set aside 10 per cent of their maize acreage next year in order to receive price supports, the 1993 harvest is expected to be considerably smaller. Mr Dick Loewy, an analyst with AgResource, projects the yet-to-be planted 1993 maize crop at 8.3m bushels, about 1m lower than 1992's. Prospects for a smaller new crop could drive maize for December delivery up to $2.60 by the summer.

An unusual aspect of the US maize situation is that most of the 1992 surplus is being held by farmers, rather than the government. Low market prices have discouraged commercial sales of the grain. In other years, farmers would have surrendered the grain to the government loan programme, but this year the loan price is so low that they have chosen to keep their maize – a factor that could prompt a flood of grain on to the market as prices begin their projected summer recovery, putting a lid on the advance.

On the surface, the US wheat situation is more conducive to a rally. The USDA projects stocks of US wheat at a mere 498m bushels at the end of this marketing year, compared with more than 2bn bushels of maize. However, market watchers are enthusiastically recommending selling Chicago wheat futures for March delivery every time the contract bumps above $3.60 a bushel.

"I expect the [USDA] will have to cut their estimates for domestic wheat consumption and export demand. I think our carryout is moving closer to 600m bushels than 500m," says Mr Warren King, an analyst with Cargill Investors Services.

Although Canada had a poor wheat crop, and there has been talk of troubles with the Australian crop this week; China's purchases of US wheat have been disappointing; and Russia, on the of largest US wheat importers, is being counted out of the market at least until March, leaving about 2.5 million tonnes of projected demand in limbo. Russia is more than $120m in arrears on its US-backed loans, with refinancing dragging on in multinational negotiations.

Unlike maize, wheat prices will get little solace from new crop plantings. Winter wheat sowed in southern plains states has received plentiful *moisture* and promises a bumper crop. More acres have been planted to wheat for 1993 than last year, because the government eliminated all wheat acreage set-aside requirements. Analysts are already projecting wheat futures for July delivery to trade at $2.85 a bushel or less, more than 30 cents per bushel below the present price.

Analysts project some boom and bust pricing for soyabean futures and for soya oil and soya meal. Troubled Canadian, Chinese and European Community oilseed crops have left the US as the only global oilseed and meal supplier until southern hemisphere crops are harvested this spring.

"The EC upped its import volume to make up for its own poor harvest, plus the dollar was very weak and the protein in oilseeds was priced cheaper than its grain equivalents. All that resulted in frontloading [bringing forward] EC imports from the US," says AgResource's Mr Loewy.

As a result, 67 per cent of projected US soyabean exports has been sold only 4 months into the crop year. The export pace tailed off in November, but Mr Loewy and other analysts are projecting that US soyabean prices will rise to $6 a bushel or more by March. Very quickly after that, however, the realities of a record-breaking Brazilian crop are likely to stall any rally. Mr Loewy forecasts a 10.2 per cent increase in Brazilian soyabean acreage, with Brazilian officials estimating a crop between 2m and 3m tonnes higher than last year's 19.2m tonnes.

Until the Brazilian harvest however, the markets will shift on every rumour of crop conditions, fuelling flurries in the Chicago soyabean futures pit.

Caribbean miners plan to dig deeper for gold profits

Two big projects are set to reverse the region's output decline of recent years, writes Canute James

GOLD PRODUCTION in the Caribbean Basin, which has been declining in recent years, is set to increase significantly through two major projects at opposite ends of the region.

The government of the Dominican Republic is soon to approve one of three competing bids from foreign companies to construct facilities for mining low-grade transitional gold deposits sandwiched between now exhausted oxide layers and the richer suplhide deposits below.

To the south, production has started this month at a major gold mine owned by two Canadian companies and the Guyana government. Production from the new mine will see Guyana's national output increasing four-fold next year.

Production in the Dominican Republic has been declining steadily over the past decade as the country's oxide deposits have approached exhaustion. The state-owned producer, Rosario Dominicana, invited bids from the foreign companies for constructing facilities for exploiting transitional deposits at Pueblo Viejo in the country's north.

From an original slate of six, the government has short-listed three companies – Davy McKee of the UK, Minproc Engineering of Australia, and Paulo Abib/Andrade Gutierrez of Brazil. They have estimated the cost of the project between US$200m and $248m, and anticipate gold production between 1,100 and 1,200 troy ounces a day.

Government officials say that the fall in gold production from 412,991 ounces in 1981 to 110,000 ounces last year, caused by exhaustion of the traditional oxide deposits, has created the need *for* access to the lower sulphide ores. They say that exploiting the transitional zone, which will be worked for about three years, will allow access to sulphide deposits which will be exploited for the subsequent 25 years.

About 5m tonnes of ore will be worked in the transitional zone, and the anticipated yield is put by Rosario representatives at three times that of the traditional oxide zone. This sulphide deposits have recently been estimated to be 100m tonnes.

The mining of the transitional deposits is also expected to reverse the decline in the country's silver production. The three companies bidding for the contract estimate that silver production could be between 2,300 and 3,500 ounces a day.

In Guyana, production has started at the new mine in Omai District, said by Guyanese officials to be among the larger mines in South America. The mine is expected to produce 1.9m ounces of gold over the next ten years.

Cambior of Montreal owns 60 per cent of the Omai mine, with Golden Star Resources, also of Canada, holding 35 per cent and the Guyana government the remainder. The mine's milling rate will be 13,000 tonnes a day, with gold output next year projected at 280,000 ounces. Annual production in the first three years is expected to average 255,000 ounces a year, with the mine's operating cost averaging $185 per ounce.

Production is projected to fall to 40,090 ounces in 2003, the last operational year of the mine.

The capital cost of the project is $152m, and Cambior reported that $120m of this was raised by the company through a *syndicated* 330,000 ounce gold loan. There was apparently concern initially among the Canadian investors about the investment climate in Guyana, although the government in recent years has moved dramatically from a policy of state control of the economy and has invited foreign investors. Cambior said it had obtained foreign investment insurance coverage of $163m from the Export Development Corporation of Canada.

The Omai mine is working the deposits with open pits over a 40 square kilometre (16 square mile) area. The Guyana Geology and Mines Commission is anticipating national gold production this year at 385,000 ounces, which is almost four times last year's output.

The commission said the projected increase was based on the start of operations at the Omai mine, and increased output from alluvial deposits in the Madhia *District* and from "sustained production" from small and medium scale producers.

"Guyana will then rank fifth in gold production in South America behind Brazil, Chile, Colombia and Ecuador," the commission said. "It will also rank fifth in gold reserve status in Central and South America and the Caribbean as exploration by foreign mining companies has put current gold reserves in excess of 3.9m ounces."

Cambior is a relative newcomer to the Omai venture, having replaced Placer Dome, also of Canada, which pulled out of the project, arguing that it would not be feasible at the market price for gold.

It is not the first time deposits at Omai have been exploited. Just after the turn of the century, German, Dutch and Guyanese gold miners abandoned their works at *Omai, after extracting a total* of 136,000 ounces over several years.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices fell in dollar terms at the London Metal Exchange in what dealers described as a consolidation following recent strong gains. The three months price ended $10 lower at $2,350 a tonne. The dealers noted that the market was still holding support levels. A late technical sell-off snuffed out a partial rally in **ALUMINIUM**, the three months position closing at $$1,232 a tonne, down $13.25. Trading in aluminium was fairly volatile, with the market under early pressure from option-linked selling. But it moved off its lows when $1,200 call (buying) strikes were exercised. **NICKEL** was easier following early losses, although prices held near the middle of the day's range. Three months metal closed at $6,297.50 a tonne, down $115, and fell another $17.50 in after hours trading. **SILVER** prices were firmer, with the cash position closing 4 cents higher at 371.50 cents a troy ounce. But dealers were not expecting further gains. "We did actually see quite good selling most of the way up, so silver has probably done enough for now," one said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Feb)		+ or -
Dubai	$15.60-5.70	-.025
Brent Blend (dated)	$17.40-7.45	-.025
Brent Blend (Feb)	$17.70-7.75	-.025
W.T.I (1 pm est)	$18.95-9.00	
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$187-188	
Gas Oil	$176-178	-2
Heavy Fuel Oil	$71-73	
Naphtha	$178-179	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$329.35	+0.20
Silver (per troy oz)♣	371.5c	+4.0
Platinum (per troy oz)	$359.0	+2.6
Palladium (per troy oz)	$111.25	+2.25
Copper (US Producer)	109.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	15.28r	+0.04
Tin (New York)	277.5c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	116.18p	+1.07*
Sheep (live weight)†♠	87.44p	+3.11*
Pigs (live weight)†	80.45p	-6.59*
London daily sugar (raw)	$208.0w	-2.5
London daily sugar (white)	$245.5w	-3.5
Tate and Lyle export price	£242.0	-6.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£161.0	
Wheat (US Dark Northern)	Unq	
Rubber (Feb)♥	63.25p	-1.00
Rubber (Mar)♥	63.75p	-1.00
Rubber (KL RSS No 1 Jan)	230.0m	-0.5
Coconut oil (Philippines)§	$450.0y	-6.0
Palm Oil (Malaysian)§	$407.5z	-2.5
Copra (Philippines)§	$295	-10
Soyabeans (US)	£171.0	-2.5
Cotton "A" Index	55.15c	+0.40
Wooltops (64s Super)	399p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Feb/Mar u-Feb.x-Aug.w-Dec/Jan z-Jan/Mar ♥London physical. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	183.00	183.20	181.00
May	183.60	189.00	183.60
White	**Close**	**Previous**	**High/Low**
Mar	248.00	248.00	248.00 245.00
May	249.00	247.20	249.00 246.50
Aug	254.50	252.70	252.80 252.50
Oct	242.00	240.30	241.50 240.50
Dec	246.00	244.30	244.80
Mar	248.00		246.50 246.00
May	251.20	250.10	249.50

Turnover: Raw 26 (8) lots of 50 tonnes. White 1350 (818) Paris- White (FFr per tonne): Mar 1397.23 May 1412.48

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Feb	17.70	17.97	17.84 17.64
Mar	17.84	18.08	17.98 17.80
Apr	17.95	18.16	18.05 17.95
May	18.04	18.21	18.14 17.98
Jun	18.14	18.27	18.19 18.05
Jul	18.10	18.25	18.15 18.10
Aug	18.12		18.17 18.12
Sep	18.18		18.16
Oct	18.20		18.20
IPE Index	17.83	18.00	

Turnover 34412 (38306)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	168.75	171.50	170.75 168.25
Feb	169.50	172.25	171.25 169.25
Mar	169.25	171.50	170.25 168.75
Apr	167.25	169.25	168.00 166.50
May	166.50	167.00	167.00 166.00
Jun	166.25	166.75	166.75 165.75
Jul	168.00	169.00	168.25 167.75
Aug	170.00	171.00	170.50 170.00

Turnover 25849 (15317) lots of 100 tonnes

WOOL

If trading conditions in wool consuming countries are taken as a guide to what happens to wool prices when sales are resumed next week, buoyancy would be very surprising. Information from the UK and Continental Europe indicates negligible new buying interest, and quite often no great keenness to take up deliveries where orders have previously been placed. Holidays have been a major factor. Currency volatility has also injected uncertainties which cannot always be evaded, and which tend to inhibit buyers who are often for trade reasons already cautious.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	683	689	689 682
May	700	703	703 695
Jul	713	717	717 710
Sep	727	732	731 725
Dec	749	753	755 746
Mar	769	775	773 768
Jul	799	805	798 795
Sep	812		816 808
Dec	840		838

Turnover: 7397 (4813) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 5 744.93 (740.48) 10 day average for Jan 4 736.15 (734.22)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jan	925	964	960 922
Mar	931	974	965 927
May	915	944	940 913
Jul	908	935	932 908
Sep	919	943	936 921
Nov	926	954	943 930

Turnover:8080 (4065) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 5: Comp. daily 60.80 (62.66) 15 day average 64.44 (64.68)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	63.0	63.0	62.6 62.0
May	71.5	71.5	72.0 71.5
Apr	90.0		89.0

Turnover 47 (45) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	152.00	154.00	152.00
Jun	142.00		142.00

Turnover 30 (50) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jan	1277	1300	1295 1277
Apr	1255	1267	1263 1255
BFI	1355	1364	

Turnover 173 (112)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	134.60	135.10	134.60 134.60
Mar	136.25	137.00	136.75 136.20
May	138.00	139.00	138.85 138.00
Jun	139.50	140.00	139.50 139.50
Nov	109.00		109.25 109.00
Jan	112.60		112.60
Barley	**Close**	**Previous**	**High/Low**
Jan	129.40	130.25	129.40 129.30
Mar	132.25	132.80	132.35 132.25
May	133.25	134.85	133.50 133.25

Turnover: Wheat 193 (123). Barley 79 (266). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	104.5	106.0	105.0 104.5
Feb	105.0	104.0	105.0 103.5
Mar	105.0	105.5	105.0
Apr	104.9	105.0	105.5 104.5
Jun	105.0	106.0	105.0

Turnover:17 (2) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 32,346 lots
Cash	1208.5-10.5	1222.5-3.5		1207.5-8.5		
3 months	1231-3	1245-5.5	1243/1219	1230-0.5	1220-1	178,202 lots
Copper, Grade A (£ per tonne)						Total daily turnover 46,504 lots
Cash	1528-9	1536.5-7.5	1520.5/1520	1520-0.5		
3 months	1545-6	1555-5.5	1545/1536	1539.5-40	1538-9	142,679 lots
Lead (£ per tonne)						Total daily turnover 5,095 lots
Cash	293-4	297.5-8.5	293	291-2		
3 months	303.5-4	308-8.5	305/303	303-3.5	304.5-5	21,748 lots
Nickel ($ per tonne)						Total daily turnover 9,790 lots
Cash	6220-30	6335-45	6220	6220-1		
3 months	6295-300	6410-5	6330/6220	6297-8	6285-90	39,423 lots
Tin ($ per tonne)						Total daily turnover 2,134 lots
Cash	6010-20	6045-50		6005-10		
3 months	6075-80	6110-5	6090/6040	6065-70	6050-60	8,633 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,234 lots
Cash	1057-8	1058-60	1054	1054-5		
3 months	1076-7	1077-8	1076/1067	1071-1.5	1072-3	68,870 lots

LME Closing £/$ rate: SPOT: 1.5420 3 months: 1.5292 6 months: 1.5155 9 months: 1.5077

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	329.20-329.50	
Opening	329.20-329.60	
Morning fix	328.85	213.442
Afternoon fix	329.50	213.721
Day's high	329.80-330.10	
Day's low	328.60-328.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.19	6 months	2.00
2 months	1.29	12 months	2.29
3 months	1.35		

Silver fix	p/troy oz	US cts equiv
Spot	239.65	370.00
3 months	243.75	372.90
6 months	247.55	376.05
12 months	255.15	383.95

GOLD COINS

	$ price	£ equivalent
Krugerrand	328.00-331.00	211.00-213.00
Maple leaf	339.25-341.45	-
New Sovereign	78.50-81.50	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Feb	May	Feb	May
1225	13	45	29	37
1250	6	33	47	50
1275	3	24	68	66
Copper (Grade A)	**Calls**		**Puts**	
2250	113	135	5	37
2300	73	101	15	41
2350	42	73	33	63
Coffee	**Mar**	**May**	**Mar**	**May**
900	50	58	19	43
950	25	38	44	73
1000	11	25	80	110
Cocoa	**Mar**	**May**	**Mar**	**May**
650	43	64	10	15
675	28	48	20	24
700	10	35	35	39
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1750		68	14	26
1800	14	38	35	51
1850	2	21	78	77

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	329.8	328.7	0	0
Feb	330.1	329.0	330.4	310.0
Mar	330.6	329.5	0	0
Apr	331.1	330.0	331.4	330.2
Jun	332.4	331.3	332.3	331.8
Aug	333.7	332.6	0	0
Oct	335.2	334.1	334.8	334.8
Dec	336.8	335.7	337.0	336.0
Feb	338.7	337.6	0	0

PLATINUM 50 troy oz, $/troy oz.

	Close	Previous	High/Low	
Jan	361.1	357.4	361.5	359.5
Apr	358.6	355.9	359.0	357.0
Jul	358.6	354.1	357.0	355.6
Oct	358.2	353.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	369.6	367.7	370.0	370.0
Feb	370.4	368.6	0	0
Mar	371.3	369.5	374.0	369.5
May	374.0	372.2	377.0	373.5
Jul	376.5	374.7	378.0	375.0
Sep	379.2	377.4	381.0	381.0
Dec	383.6	381.7	385.0	383.5
Jan	384.8	382.9	0	0
Mar	388.7	386.8	0	0
May	392.3	390.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	105.15	105.05	105.30	104.90
Feb	105.55	105.60	105.55	105.40
Mar	105.95	106.05	106.20	105.30
Apr	106.10	106.20	0	0
May	106.20	106.35	106.25	105.70
Jun	106.35	106.50	106.00	106.00
Jul	106.50	106.60	106.50	105.85
Aug	106.55	106.60	0	0
Sep	106.60	106.60	106.40	106.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	18.96	19.26	19.09	18.92
Mar	19.12	19.37	19.22	19.07
Apr	19.29	19.49	19.35	19.22
May	19.37	19.57	19.43	19.36
Jun	19.43	19.61	19.48	19.40
Jul	19.44	19.63	19.54	19.44
Aug	19.50	19.65	19.55	19.50
Sep	19.45	19.68	19.57	19.50
Oct	19.68	19.70	19.52	19.62
Nov	19.59	19.71	19.60	19.55

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	53.90	55.79	54.85	53.80
Mar	54.30	55.71	55.05	54.15
Apr	54.15	55.13	54.60	54.05
May	53.35	54.13	53.65	53.25
Jun	53.10	53.83	53.45	53.10
Jul	53.65	54.08	53.80	53.65
Aug	54.50	54.78	54.50	54.25
Sep	55.50	55.88	55.65	55.50
Oct	56.50	56.93	56.65	56.65
Nov	57.50	57.83	57.70	57.50

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	947	955	954	938
May	974	981	979	965
Jul	997	1003	999	990
Sep	1020	1030	1022	1010
Dec	1048	1058	1045	1044
Mar	1078	1088	0	0
May	1103	1115	0	0
Jul	1125	1137	0	0
Sep	1148	1160	1140	1135
Dec	1173	1185	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	70.30	71.60	72.60	70.00
May	74.20	76.15	76.70	74.15
Jul	75.80	77.70	78.10	75.75
Sep	77.40	79.00	79.10	77.30
Dec	79.65	81.20	81.20	80.05
Mar	81.75	83.05	0	0
May	83.25	84.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.17	8.09	8.23	8.07
May	8.33	8.26	8.36	8.25
Jul	8.39	8.34	8.43	8.33
Oct	8.42	8.36	8.43	8.35
Mar	8.49	8.49	8.50	8.50
May	8.56	8.56	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	58.54	58.58	59.80	58.85
May	60.50	59.68	60.90	59.70
Jul	61.60	60.74	61.80	60.80
Oct	60.60	60.00	60.50	60.15
Dec	58.68	59.46	59.70	59.40
Mar	60.00	60.28	0	0
May	60.25	61.03	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	82.15	81.60	82.15	81.20
Mar	85.00	85.25	85.10	84.25
May	87.90	88.30	87.90	87.25
Jul	89.05	89.55	89.30	88.75
Sep	90.10	90.40	91.00	90.00
Nov	90.05	90.15	90.05	89.50
Jan	91.05	91.05	91.25	91.05
Mar	91.05	91.05	91.05	91.05
May	91.05	91.05	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jan 6	Jan 5	mnth ago	yr ago
1696.7	1710.0	1666.9	1585.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 5	Jan 4	mnth ago	yr ago
Spot	121.13	121.00	121.65	112.56
Futures	122.38	122.58	120.06	121.09

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	571/0	565/2	572/6	564/6
Mar	574/2	570/2	576/4	569/4
May	579/6	576/4	581/6	575/4
Jul	585/4	582/6	587/4	581/6
Aug	587/4	585/0	588/4	584/2
Sep	588/0	584/0	589/2	586/0
Nov	591/0	590/0	593/2	589/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	20.77	20.57	20.77	20.55
Mar	20.98	20.84	21.00	20.80
May	21.18	21.06	21.19	21.04
Jul	21.37	21.26	21.38	21.23
Aug	21.40	21.28	21.40	21.32
Sep	21.41	21.30	21.42	21.35
Oct	21.41	21.30	21.42	21.32
Dec	21.47	21.35	21.48	21.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	184.5	184.6	185.2	184.0
Mar	182.7	182.6	183.7	182.3
May	183.2	182.6	184.0	182.5
Jul	185.2	184.6	186.0	184.7
Aug	186.0	185.5	187.0	185.7
Sep	187.0	186.5	188.3	186.7
Oct	188.6	188.0	189.4	188.5
Dec	190.6	190.1	191.5	189.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	217/6	216/6	218/0	216/6
May	225/0	224/2	225/4	224/0
Jul	231/2	230/2	231/4	230/0
Sep	235/6	234/4	236/0	234/4
Dec	240/2	239/4	240/6	239/2
Mar	247/2	246/4	247/4	246/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	363/2	361/4	363/4	359/0
May	343/2	342/6	343/6	340/4
Jul	318/0	320/6	322/2	317/0
Sep	323/0	325/0	326/0	322/4
Dec	334/0	335/6	337/0	332/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	78.700	78.100	79.000	78.050
Apr	77.550	77.325	78.125	77.275
Jun	74.025	73.650	74.525	73.600
Aug	72.075	71.550	72.600	71.550
Oct	72.400	71.700	72.850	71.775
Dec	72.850	72.300	73.200	72.275

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	42.480	42.625	42.850	42.300
Apr	41.825	41.900	42.250	41.550
Jun	47.000	46.850	47.400	46.600
Jul	46.550	46.350	46.900	46.125
Aug	45.100	45.000	45.350	44.800
Oct	41.300	41.150	41.475	41.060
Dec	42.700	42.560	42.950	42.450

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	37.550	37.325	38.050	37.025
Mar	37.925	37.775	38.325	37.400
May	39.400	39.000	38.750	38.700
Jul	39.750	39.650	[illegible]	[illegible]
Aug	38.600	[illegible]	38.650	38.000

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LONDON STOCK EXCHANGE

Second tier stocks continue to lead

By Terry Byland, UK Stock Market Editor

DIVERGENCE between blue chips and second tier stocks continued to widen in London yesterday as the market's top 100 stocks backed away on currency and interest rate uncertainty while the FT-SE Mid 250 Index, which ranges further down the list of London quoted stocks, extended its recent gain to close at a new peak.

Attention now focuses on this morning's policy meeting at the Bundesbank, in the hope that a cut in German rates will open the way for rate reductions in the UK. As expected, the Footsie stocks responded yesterday to moves in the March futures contract on the FT-SE Index, which improved briefly but then led the stock market lower.

An erratic session saw the FT-SE Index peak early for the day at 2,839.2 before drifting down to a close of 2,826.0, a net loss of 7.6. The index has fallen by around 1.2 per cent from its all-time high of 2,861.5, reached on January 4.

The FT-SE Mid 250 Index, however, gained a further 9.1, or 0.2 per cent, at 2,919.3, yet another record high, as investors continued to buy the domestically orientated stocks thought likely to benefit from the signs of improvement in the UK economy apparently signposted by the outcome of consumer spending at the UK stores over Christmas.

The increased significance of the second tier stocks was reflected in plans for a new futures instrument to incorporate the smaller stocks. From today, Smith New Court, one of London's most aggressive marketmakers, will make markets in futures contracts on the FT-SE Mid 250 Index and five sector indices – banks, electricity, health and household, oils and water indices.

Seaq volume of 701.0m shares provided another indication of the underlying strength of the stock market. Tuesday's Seaq total of 769.1m shares was worth £1.42bn in retail business, one of the best daily totals for the past four months.

However, traders were still inclined to caution, pointing out that Scottish institutions have not yet returned to full working levels, and that many London-based fund managers are on holiday until the end of the week.

Firmness in sterling, conventionally a support for base rate optimism, was overshadowed by developments in other European currencies and by caution ahead of the Bundesbank meeting. The absence of the rights issue from a blue chip company with which the market had been threatened on Tuesday brought only temporary relief since many strategists believe that equity fund-raisings, together with government financing, will provide a serious threat to progress in share prices in the early months of this year.

Store shares, which provided much of the momentum for the pre-Christmas advance in the UK stock market, drifted yesterday as they awaited further confirmation of improvement in consumer spending.

At NatWest Securities, the equity strategy team suggested that "the fun is over" for UK equities, following the 25 per cent upsurge in the market during the latter part of last year.

If shares advance further on the expectations of lower interest rates, then the NatWest team advises selling into strength. It comments that any UK recovery will be export-led, with only modest improvement in consumer spending.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	4	490	-10
ASDA Group	18,000	63	+4
Abbey National	1,200	378	-3
Albert Fisher	1,600	60	+2
Allied-Lyons	1,400	622	-6
Amstrad	623	23	
Anglian Water	1,300	492	-4
Argos	525	282	$-4\frac{1}{2}$
Argyll Group	4,500	399	+10
Arjo Wiggins	2,800	181	+2
Ass. Brit. Foods	175	508	
Ass. Brit. Ports	195	373	+2
Comm Union	686	638	+3
Cookson	557	200	-1
Courtaulds	677	603	+1
Dalgety	1,000	484	+7
De La Rue	121	642	-3
Dixons	2,100	280	+8
Eastern Elect.	882	424	+2
East Midland Elect.	503	431	-4
Eng China Clays	513	459	
Enterprise Oil	650	430	-7
Eurotunnel Units	28	335	
FKI	1,600	111	-2
Lonrho	800	73	
Lucas	2,200	132	+4
MB Caradon	1,000	309	-9
MEPC	154	329	
Manweb	37	486	-3
Marks & Spencer	5,700	329	-4
Midlands Elect.	1,400	472	-2
NFC	888	279	-1
NatWest Bank	3,200	422	+3
National Power	962	273	-4
Next	2,400	146	$-\frac{1}{2}$
North West Water	862	494	
Shell Transport	2,700	643	-4
Siebe	982	448	+3
Slough Ests	095	150	+3
Smith (W.H.) A	684	495	+1
Smith & Nephew	1,600	162	-1
SmKl Beecham	2,800	471	-16
SmKl Beecham Uts.	2,700	411	-15
Sun Alliance	800	381	+4
Southern Elect.	604	436	-7
South Wales Elect.	831	494	-3
South Wes. Water	339	494	+3
ICI	1,800	1109	+24
Inchcape	2,000	559	-10
Kingfisher	1,400	589	-4
Kwik Save	599	803	+17
Ladbroke	4,100	188	-1
Land Securities	467	438	+1
Laporte	575	613	-16
Legal & General	1,300	433	+5
Lloyds Abbey	694	430	+2
Lloyds Bank	2,100	542	
LASMO	3,100	165	
London Elect.	387	441	-2
Rolls Royce	1,500	$117\frac{1}{2}$	
Rothmans	356	426	-3
Ryl Bk Scotland	6,600	209	-2
Royal Insurance	3,600	284	+6
Saatchi	349	164	+9
Sainsbury	2,800	579	+2
Scottish & New	567	455	
Scot Hydro-Elect.	1,300	245	-5
Scottish Power	1,000	234	-4
Sears	12,000	101	$+3\frac{1}{4}$
Sedgwick	10,000	180	-2
Seeboard	154	462	-1
Severn Trent Water	1,200	468	+1
Utd Newspapers	481	533	+6
Vodafone	923	427	+2
Warburg (SG)	392	557	-4
Wellcome	1,300	965	-17
Welsh Water	77	534	
Wessex Water	432	595	+6
Whitbread A	1,400	483	+9
Williams Hldgs	1,100	337	+5
Willis Corroon	1,900	$201\frac{1}{2}$	$+\frac{1}{2}$
Wimpey	1,100	115	+1
Wolseley	605	541	-3
Yorkshire Elect.	468	491	-7
Yorkshire Water	344	535	+2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Dec 14	Jan 4	Jan 18
Option Declarations:		
Dec 30	Jan 14	Jan 28
Last Dealings:		
Dec 31	Jan 15	Jan 29
Account Day:		
Jan 11	Jan 25	Feb 8

*New time dealings may take place from 8.30am two business days earlier.

Traffic figures hurt BA

A VEILED profits warning from British Airways (BA), together with disappointing air traffic figures, prompted forecast cuts across the board and led the shares to slide 20 to 288p. The stock was one of the biggest casualties in the London market in percentage terms – down 6.5 per cent – and, at 26m shares, recorded its highest daily turnover for nearly a year.

The airline announced that its December 1992 passenger load factor, the figure which reflects the percentage of aircraft seats taken up, fell 1.1 percentage points from a year ago to 66 per cent. BA also produced a very cautious statement which pointed out that first class and business class passengers were staying away and that there was a general surfeit of seats. Finally, there was growing realisation of the extent to which sharp currency shifts in September may have hit full-year profits.

Most securities houses, including BA's joint brokers S.G. Warburg and UBS Phillips & Drew, cut profits estimates. Warburg came back by £40m to £220m for the current year and by £30m to £320m for next.

Holiday bid

The much-heralded bid for Owners Abroad from its smaller rival Airtours sent shares in the two holiday tour operators in widely different directions. The market was almost unanimous in the view that the bid will have to be increased if it is to succeed.

Brokers recommended Owners shares on the likelihood of either an increased offer or a rival bid. Mr Bruce Jones at Smith New Court said: "It will be an exciting joint venture if successful, but Airtours will probably have to pay around 150p a share to get it." Paribas said the possibility of another bidder and the probability of a higher offer meant investors should sell Airtours and buy Owners. Shares in the latter climbed 11 to 120p in big turnover of 12m. Airtours dropped 19 to 302p.

There were also hints of a boardroom split at Owners, a development which analysts thought might increase the chances of success for an increased offer from Airtours. According to some specialists, discussions between the two companies were first initiated last summer. But the talks broke down and Owners then went on to agree a tie-up with LTU, the German travel group. This deal, which seems to have finally forced Airtours' hand, was to be voted on tomorrow, but has been postponed. LTU is now being tipped as a potential white knight.

ICI again strong

Shares in ICI performed strongly for the second day as Zeneca, the company's pharmaceuticals arm, announced it had submitted a new drug for regulatory approval in Italy, Europe's biggest antibiotics market. ICI jumped 24 to 1109p.

Zeneca said its new antibiotic, Merrem, was the first of five compounds to come through its development pipeline and that Italian approval would open access to other EC countries. It expects Merrem to be launched in Italy early next year. A US new drug application is expected later this year. Smith New Court estimates that Merrem will generate sales worth between £100m and £200m within five years. Analysts said the news was expected but it followed a strengthened recommendation from agency broker James Capel on Tuesday. Zeneca is to hold a meeting with analysts on Monday to discuss biotechnology prospects.

Tesco became the latest food retailer to report a surge in sales in the period leading up to Christmas. Analysts, fearing that the group might have been trapped between resilience at J. Sainsbury and discounting at Kwik Save, had been preparing to downgrade. Instead, the reverse happened, with BZW moving from a sell to a hold while other houses also largely responded positively.

Tesco said its like-for-like sales growth in the four weeks to Christmas was 1.5 per cent, lagging Sainsbury's 5 per cent but ahead of market expectations. Several houses were active in buying the stock yesterday, sending the shares forward 13¼ to 261¼p in turnover of 13m. However, NatWest Securities retained their "weak hold" stance for the stock, believing that the sales growth gap between Tesco and Sainsbury will widen this year.

Kwik Save is expected to announce its sales figures officially today. They are widely believed to be between 13 and 15 per cent up from the same period last year. The shares advanced 17 to 803p. Sainsbury added 2 at 579p, while Asda gained 4 at 63p. It is expected to declare a like-for-like sales rise of one per cent.

There was only limited interest in the banks sector. Barclays lost 7 more to 379p as the market's persistent worries about property losses once again triggered a debate about the bank being in a position to maintain the final dividend.

Switching from Barclays to NatWest helped the latter edge up 3 to 422p on 3m traded. The sale of a block of 1.5m Royal Bank of Scotland at 208¼ left the shares a net 2 off at 209p.

Merchant banks mainly retreated, although Singer & Friedlander edged up 2 to 52p on heavy turnover of 13m.

The composite insurance sector, shaken on Tuesday by news of the oil spill off the Shetland Islands, staged a good rally, led by Royal Insurance, which moved up 6 to 284p on 3.6m traded.

JIB took up the running in insurance brokers, closing 6 higher at 175p. The recent strength of sterling took the shine off Sedgwick which eased 2 to 180p.

BP was the busiest stock in a generally dismally quiet oil sector, with the shares managing a minor improvement, up 1¼ to 238p, in the absence of any cash-raising exercise. Turnover, however, was a lowly 4m shares, although their was some brisk activity in the traded options market.

Specialists said BP had put up a creditable performance in view of the recent flurry of US selling and the worrying decline in crude oil prices in recent days.

Dealers reported further switching from the regional electricity companies(recs) and the power generators into the water stocks. Among the latter Wessex added 6 at 595p, South West 3 to 494p and Thames 2 to 498p. Anglian lost 4 to 492p after Kleinwort Benson told clients to switch into Thames. National Power, however, lost 4 to 273p and PowerGen 3 to 274p. Norweb, 480p, and Yorkshire, 491p, were both 7 easier and the weakest performers in the "recs".

Racal Electronics was among the best performers in the elctronics area of the market, the shares jumping 10 to a record 179p, after a number of buy recommendations from leading UK broker houses, notably Kleinwort Benson. Turnover in Racal shares was a hefty 5.4m.

There was no shortage of strong risers in the electronics sectors. Volex rose 11 to 410p. Cray Electronics were 7 firmer at 116p – the highest level since July 1989 – on exceptionally high turnover of 8.2m shares.

Motor stocks lifted on expectation that December car registration figures, due today, would show a 30 per cent increase over the same time in 1991. T. Cowie rose 190 to 174p further boosted by a raised profit forecast from Carr Kitcat & Aitken, while Evans Halshaw improved 19 to 238p.

Retailer Burton saw exceptionally heavy turnover as dealers reported good two-way business and a large agency cross by Cazenove. The shares were steady at 78½p with 25m traded.

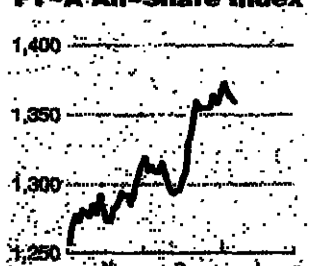
Sears added 3¼ at 101p as the company hosted a series of meetings and told analysts that flat pre-Christmas trading was offset by subsequent buoyant sales.

Speciality chemicals group Laporte fell a further 16 to 613p leading to speculation that it might have to announce bid terms for Evode today in order to calm shareholder concern. One analyst said it would need to announce a rights issue of some £150m to fund the bid but another argued that a paper offer worth the equivalent of 100p a share need not be dilutive. Wassall, which rescinded the "final" from Tuesday's final 95p a share hostile bid was steady at 207p while Evode added another penny at 105p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

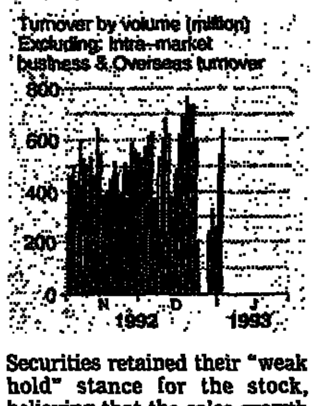
■ Other market statistics, Page 15

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (153)
BANKS (4) Allied Irish, Bk. Ireland, Bk. Scotland 9¼pc Pf., NatWest, BREWERS (1) Boddington, BLDG MATLS (2) BPB, [illegible] ... Furn., Danka, Faber Prest, Frost, Norbain, MOTORS (6) BSG, Bletchley, Cowie (T), Lex Service, Malaya, Trinity, OIL & GAS (2) Pittencrieff, Sidlaw, OTHER FINCL (4) Cattle's, Jupiter Tyndall, Rathbone Bros., S & U, OTHER INDLS (6) BTR Wts., Do Wts. '94/95, Do Wts. '95/96, Morgan Crucible, Staveley, Williams 8P Pf., PACKG, PAPER & PRINTG (9) Bemrose, Capital Inds., Ferguson, Filofax, MY, Macfarlane, Microgen, St Ives, Waddington (J), PROP (2) Evans of Leeds, INOCO, STORES (6) Brown (N), Burton, Courts, Essex Furn., Kleen-E-Ze, OS, TEXTS (4) Claremont Garments, Courtaulds, Dawson, Haggas (J), TRANSPORT (3) Dawsongroup, Mersey Docks, Powell Duffryn, WATER (1) Northumbrian.
NEW LOWS (9).
AMERICANS (1) IBM, BLDG MATLS (1) Chieftain, ENG GEN (2) Elliott (B), Wilkes (J), INV TRUSTS (1) Fulcrum Inc., MINES (4) Harmony, Metana Minerals, Northam Platinum, Welkom.

FINANCIAL TIMES EQUITY INDICES

	Jan 6	Jan 5	Jan 4	Dec 31	Dec 30	Year ago	High	Low
Ordinary share	2194.8	2188.1	2209.9	2185.2	2170.9	1906.5	2209.9	1670.0
Ord. div. yield	4.27	4.28	4.23	4.27	4.30	4.79	5.34	4.23
Earning yld % full	5.87	5.88	5.82	5.87	5.90	7.18	-	-
P/E ratio net	21.72	21.71	21.93	21.74	21.60	17.51	21.93	15.79
P/E ratio nil	20.07	20.05	20.26	20.08	19.96	16.52	-	-
Gold Mines	60.9	60.4	62.5	63.9	63.1	139.2	160.6	60.4

*for 1992/93. Ordinary share index since compilation: high 2209.9 4/1/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35, Gold Mines 12/9/56.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2188.9	2189.4	2199.6	2201.0	2197.3	2205.2	2208.1	2200.1	2195.7	2208.5	2189.0

Volume	Jan 6	Jan 5	Jan 4	Dec 31	Dec 30	Year ago
SEAQ Bargains	31,153	34,436	33,093	15,651	24,161	32,400
Equity Turnover(£m)†	-	1419.9	1016.1	383.6	797.4	860.10
Equity Bargains†	-	39,054	34,656	17,096	25,925	29,750
Shares traded (mil)†	-	649.3	548.7	265.0	335.1	351.7

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THIN trading as institutional buyers sat on the sidelines in advance of today's Bundesbank meeting produced a fairly featureless day in the futures market, writes Christopher Price.

The March contract on the FT-SE Index opened weakly at 2,853 and was quickly sold down, with independent traders leading the way.

However, a bout of positive news from the currency markets, where short sterling was reported strong, led to a squeeze and March rallied. It reached a high for the day of 2,869 by noon.

The rest of the day's trading was conducted in a narrow 20-point range, with many of the big institutional buyers taking a back seat in anticipation of the Bundesbank meeting in Germany today. While the market does not seriously expect a rate cut, it is hoping for some indications of the direction of German monetary policy.

March drifted in the dull afternoon session, closing at 2,847, down 3 from the previous day and at an estimated 7-point premium to fair value of around 14. Volume was an unexceptional 5,132 contracts.

A more lively options market saw 29,100 contracts transacted, 8,462 of which were in the FT-SE 100.

BP was the top traded stock option with 4,141 lots dealt. This was followed by British Airways on 1,400, British Aerospace on 1,329 and Pilkington on 1,240.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2826.0 -7.6	2919.3 +9.1	1363.66 -1.19

	Jan 6	Day's change %	Jan 5	Jan 4	Dec 31	Year ago
FT-SE 100	2826.0	-0.3	2833.6	2861.5	2846.5	2457.1
FT-SE Mid 250	2919.3	+0.3	2910.2	2896.4	2862.9	2353.2
FT-SE-A 350	1386.3	-0.1	1388.3	1397.7	1388.8	1191.3
FT-A ALL-SHARE	1363.66	-0.1	1364.85	1373.20	1363.79	1178.00

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2829.0	2823.8	2838.4	2836.3	2829.6	2836.7	2837.1	2834.0	2826.5	2839.2	2823.8
FT-SE Mid 250	2907.9	2904.7	2909.7	2911.8	2910.5	2913.6	2914.7	2914.7	2918.6	2919.2	2904.4
FT-SE-A 350	1386.3	1383.9	1388.3	1389.5	1386.8	1388.8	1390.1	1388.9	1385.4	1390.7	1383.9

Gross dividend yield (ACT at 25%) FT-SE 100:4.30%

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	1492.5	1490.7	1491.2	1491.7	1492.6	1491.9	1489.7	1489.7	1490.4	1490.4	1497.5	-7.1
Health&H	1253.8	1257.3	1261.3	1261.4	1258.2	1259.8	1259.8	1256.0	1241.2	1228.1	1268.1	-27.0
Water	1364.4	1363.9	1365.1	1361.4	1361.2	1363.7	1363.9	1363.9	1365.5	1365.5	1363.4	+2.1
Banks	1476.6	1487.2	1476.8	1479.1	1478.1	1478.4	1478.7	1470.9	1468.9	1469.5	1478.4	-8.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1992/93 high	low	Yield Int.
"Shorts" (Lives up to Five Years)					
Treas 8¼pc 1993	[illegible]		[illegible]	[illegible]	8.24
10pc 1993‡‡	[illegible]		[illegible]	[illegible]	9.91
12½pc 1993‡‡	[illegible]		[illegible]	[illegible]	12.12
Funding 6pc 1993‡‡	[illegible]		100	[illegible]	6.02
Treas 13¾pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	12.98
8½pc 1994	[illegible]		[illegible]	[illegible]	8.33
14½pc 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]	13.38

Continued on next page

AMERICANS

	Notes	Price $	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	19¼xd	-1	21¼	14⅝	16,086	2.0
Allegheny & W	♥	432p	—	494p	226p	226.6	4.4
Amdahl		474p	—	1159p	439p	632.3	1.3
Amer Cyanamid		38⅝	—	38⅝	28⅝	8,482	2.7
Amer Express		16¼xd	-⅞	16⅞	10⅞	7,767	3.9
Amer T & T		33½xd	-½	34½	20⅛	44,862	2.5
Ameritech		46¾	—	47½	32½	20,486	5.0
BankAmerica		29⅞xd	-1⅞	31⅞	19⅞	10,142	2.8
Bankers NY		44⅞xd	-1¼	46⅛	28⅝	3,576	4.4
Bell Atlantic		34¼	—	34⅝	23⅛	14,786	4.8
BellSouth		34¼	—	35¾	25	16,906	5.1
Bethlehem Steel	♥	10xd	-⅛	10⅞	5¼	904.8	—
Bowater		1589pxd	—	1637p	905p	575.8	4.8
CPC	h	31⅞xd	-1⅞	34	22⅝	4,771	2.4
Cadiz Land Inc	♥	118p	—	342p	108p	—	—
California Engy		1095p	+9	1095p	591p	199.4	—
Chase Manhattan		18⅞xd	-⅛	19½	9⅛	2,734	4.1
Chrysler		21¼xd	-⅞	21¾	6¼	6,222	1.8
Citicorp		13⅝xd	-⅞	14¾	5⅞	4,955	—
Colgate-Palm		35⅞xd	-⅞	40⅛	25¼	5,869	2.2
Cont'l Bank		1408p	—	1444p	490p	1,420	2.7
Dana		30⅞xd	-⅞	31⅞	14⅞	1,416	3.3
Data General		790p	—	1004p	384p	218.8	—
Decora Inds	♥	148p	—	148p	69p	—	—
Dun & Brad		38⅞	—	38⅞	27⅝	6,891	3.7
Eaton		53¾	—	54½	32½	1,843	2.8
Echlin		15⅛xd	-⅛	16½	7⅞	898.8	2.9
FPL		23¼xd	-⅛	24⅞	17⅞	4,223	6.7
Fluor		28⅛xd	-⅛	30⅛	19¼	2,139	1.1
Ford Motor		28⅝xd	-⅛	28	16	13,855	2.2
Gen Elect		55⅞xd	-1⅞	57⅞	36¼	47,452	2.9
General Host	♥	585p	—	611p	360p	—	3.9
Gillette		36⅝xd	-1¼	40	23⅞	7,870	1.3
Hasbro		20⅞	—	23½	12⅞	1,812	0.6
Honeywell	h	20⅞xc	-⅛	22⅞	16	5,798	2.7
Houston Inds		30⅝	—	30⅝	22	3,888	6.1
IBM		31⅛	-1⅝	54½	31⅛	17,763	9.8
Ingersoll-Rand		19⅛xd	-⅛	21	12⅞	2,024	2.3
Lockheed		37¼	—	37¼	22⅞	2,285	3.6
Lowe's	h	1656p	—	1656p	815⅞p	1,288	1.1
Merrill Lynch		37xd	-2⅛	40⅝	24⅞	3,882	2.0

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Gencor	4¾	—	5	4½	1.62	-
Glencar Expl IE ‡‡	8	—	16	6	1.48	-
Greenwich Res □	5¼	—	11	2	3.65	-
Hemlo Gold C$	£4	—	£5½	£3¼	385.6	2.5
Ivernia West IE ‡‡□	33	—	53	30	16.6	-
Kells Mins IE ‡‡□	8	—	42	8	0.19	-
Kenmare □	7¾	—	6	2¾	7.44	-
Malinga Res.	22½	-3	48	8	2.48	-
Navan Res IE ‡‡	27	—	34	16	3.62	-
Orya Gold	46½	—	103	46¾	—	-
Plateau	39	—	13	3	1.37	-
RTZ □	682	+10	686	469	6,840	3.6
Vizcaya	3	—	3	1	1.61	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ✗ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT5041. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.
Annual subscription £250.00 stg.
Call +44 71-825 2128 for more details.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	151.7	153.3	161.4	-2.70	0.00
AIB Grofund Equity	5	204.4	207.3	219.3	-2.60	1.87
AIB Grofund Euro	5	144.6	146.7	154.5	-2.30	0.37
AIB Grofund Eqt Balanced	3	101.88	103.93	107.14	....	0.00
AIB Grofund Gilt	3	75.23	75.25	77.58	-0.14	5.39
AIB Grofund Japan	5	121.7	123.0	129.5	-3.30	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	405.4	407.3	433.3	-5.2	2.67
General Acc	5	441.4	443.5	471.9	-5.6	2.67
UK Growth Acc	6	299.4	303.7	323.1	-3.4	3.03
UK Growth Inc	6	214.6	217.7	231.7	-2.4	3.03
Higher Inc Acc	6	520.7	529.7	563.5	-2.9	4.27
Higher Inc Inc	6	321.2	326.1	347.0	-1.8	4.27
Gilts/Fxd Int Acc	5¼	167.5	167.5	176.9	-0.5	7.20
Gilts/Fxd Int Inc	5¼	90.24	90.24	95.31	-0.32	7.20
Nth America	6	250.9	256.9	273.3	-3.5	0.00
Far East	6	230.9	233.1	248.0	-4.7	3.06
Europe	6	194.4	194.4	206.8	-4.0	1.28
Brit Excell	6	61.89	61.89	65.84	-0.54	3.07
Brit Fndmtls Acc	6	79.46	79.46	84.54	-0.11	4.95
Brit Fndmtls Inc	6	62.37	62.37	66.36	-0.09	4.95
Global Opps	6	62.69	63.32	67.37	-1.31	0.02

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	127.1	127.1xd	134.7	-0.3	7.05
High Inc Equity	6	138.2	141.0xd	150.0	-0.3	5.67
Worldwide Bond	6	248.3	248.3	263.1	-5.9	4.75
American Growth	6	266.8	266.8xd	283.3	-5.2	.51
Asian Pacific	6	179.4	183.3	194.9	-3.0	.98
Assets & Earnings	6	214.3	218.8	232.7	-1.1	2.70
Capital Reserve Acc	0	124.2	124.2	124.6	....	5.97
Comdty & Energy	6	62.60	62.60	66.95	-2.41	1.31
1992 Enterprise	6	73.38	73.38	78.48	-0.38	2.64
Euro Capital Acc	6	97.87	97.87	104.6	-1.6	1.00

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	89.11	90.23	96.50	-0.71	2.40
Do (Accum)	6	97.29	98.51	105.36	-0.78	2.40
Smaller Cos	6	69.56	69.56	74.39	+0.47	2.61
Do (Accum)	6	75.21	75.21	80.44	+0.51	2.61
Higher Yield	6	35.36	35.73xd	38.21	-0.19	5.57
Do (Accum)	6	48.24	48.74	52.13	-0.26	5.57
American Gth Inc	6	50.73	50.94	54.48	-1.00	0.16
Do (Accum)	6	51.70	51.91	55.51	-1.02	0.16
European Growth	6	86.70	86.70	92.73	-1.08	2.09
Do (Accum)	6	87.51	87.51	93.59	-1.09	2.09
Global Bond Inc	6	27.28	27.51xd	29.18	-0.32	5.11
Do (Accum)	6	33.52	33.80	35.86	-0.40	5.11
Managed P'folio Inc	6	31.08	31.08	33.24	-0.31	0.00
(Do Accum)	6	31.08	31.17	33.34	-0.31	0.00
Pacific Growth Accum	6	78.14	78.97	84.46	-1.62	1.48
Intl Spec Opps Accum	6	74.45	75.40	80.65	-0.82	1.83

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	83.43	83.43	88.85	-0.42	2.34
Mngd P'folio Acc	6	156.2	156.2	166.3	-0.80	—
UK General	6	137.9	137.9	146.9	+0.10	3.45
Conv & General	6	17.80	17.80xd	19.04	+0.10	8.10
European Inc	6	20.42	20.42	22.00	-0.24	0.51
European Acc	6	21.09	21.09	22.72	-0.25	—
Financial	6	102.0	103.9	110.7	....	4.01
Foundation	6	66.41	68.05	72.48	+0.14	3.87
German	6	36.70	36.70	39.36	-0.39	0.10
Growth Inc (5-1)	5	27.13	27.13	28.98	-0.19	3.19
Growth Acc (5-1)	5	31.59	31.59	33.74	-0.22	—
High Income	6	67.29	68.44	72.89	+0.08	6.45
Income	6	113.8	116.6	124.2	+0.28	4.67
Intl Income	6	82.51	82.51xd	87.87	-1.79	5.49
Intl Growth	6	30.45	30.45	32.43	-0.56	0.24
Monthly Income	6	63.29	65.35	69.60	+0.27	6.84
North American	6	99.67	100.7xd	107.2	-2.70	0.20
Orient	6	92.18	92.18	99.22	-1.58	—
Recovery	6	30.41	31.90xd	34.22	+0.32	3.45
Smaller Cos Acc	6	216.9	222.4	236.8	+4.40	—
Smaller Cos Inc	6	127.0	130.2	138.7	+2.60	1.66

Brycourt Unit Tst Mgmt Ltd (1400)F
Henleath Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	190.2	190.2	195.41	....	6.38

NM Unit Trust Mngrs (1200)F
The Bittan Centre, North Harbour, Portsmouth
Enquiries 0705 372222 Dealing 0705 387730

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	40.57	40.68	43.39	-1.16	0.76
(Accum Units)	5¼	44.15	44.27	47.22	-1.26	0.76
Australian	5¼	217.60	217.60	233.40	-13.70	0.00
(Accum Units)	5¼	246.10	246.10	264.00	-15.50	0.00
Conscience	5¼	59.38	60.29xd	64.34	-0.06	1.43
(Accum Units)	5¼	63.72	64.70	69.05	-0.06	1.43
European	5¼	152.80	154.40	164.60	-2.50	1.01
(Accum Units)	5¼	163.00	164.70	175.60	-2.70	1.01
Extra Income	5¼	69.10	69.10	73.74	-0.26	6.08
(Accum Units)	5¼	103.40	103.40	110.30	-0.40	6.08
Far East Gth Acc	5¼	124.90	124.90	133.50	-3.30	0.06
Gilt & F.I.	5¼	57.05	57.05	60.39	+0.01	7.63
(Accum Units)	5¼	130.90	130.90	138.50	...	7.63
Gold	5¼	24.55	24.55	26.39	-1.56	0.00
(Accum Units)	5¼	26.44	26.44	28.43	-1.67	0.00
Income	5¼	48.55	48.55xd	51.78	-0.26	5.50
(Accum Units)	5¼	145.50	145.50	155.20	-0.78	5.50
Intnl.	5¼	26.02	26.02	27.91	-0.40	0.97
(Accum Units)	5¼	37.39	37.39	40.11	-0.46	2.97
Jap Smaller Cos	5¼	226.30	226.30	241.30	-9.20	0.00
Sing & Malaysian	5¼	128.60	131.30	140.80	-2.50	0.00
(Accum Units)	5¼	133.70	136.70	146.50	-2.50	0.00
Smaller Co's	5¼	21.50	21.85xd	23.49	+0.23	2.04
(Accum Units)	5¼	24.86	25.26	27.16	+0.29	2.04
Special Sits	5¼	30.18	30.18	32.45	-0.28	1.88
(Accum Units)	5¼	34.44	34.44	37.03	-0.32	1.88
Sterling Deposit	0	100.1	100.10xd	100.10	...	6.60
(Accum Units)	0	100.60	100.60	100.60	...	6.60
Tokyo	5¼	59.43	59.43	63.39	-1.39	0.00
(Accum Units)	5¼	60.03	60.03	64.03	-1.41	0.00
UK Equity	5¼	154.00	154.00xd	164.20	-2.40	3.05
(Accum Units)	5¼	285.50	286.50	304.50	-4.30	3.05
US Smaller Cos	5¼	95.79	97.90	104.70	-2.80	0.00

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
European	5	100 00	100 00	105 00		1 90
Intl Bond & Conv	5	117 90	118 30	124.50	-1 20	5 94
Pooled Pension ‡	7	146 0	149 0	160.2		-
Smaller Cos	5	56.89	58.62	61.71	+0 29	2 37
UK General	5	115 10	116 90	123 00	-0 80	2.80
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	376 22	376.22	398.79	-2 90	5 17
Global Inc	5	53 29	53.29	56.49	-0 73	4.30
Brit Leaders	5	314 16	314 16	333 01	-3 79	3 07
Intl Leaders	5	170 96	170 96	181.22	-3 51	1.81
♦ As Man Bal Gwth Acc ♦	3¼	50 50	51 87	53 89	+0 10	3.15
♦ As Man Bal Gwth Inc ♦	3¼	50 50	51.87	53.89	+0.10	3 15
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	47 02	47 10	50 10	-0 35	1 68
Far Eastern Tst	6	51.41	52.15	55 47	-0.88	0 89
Smaller Cos	5	127 3	132.1	140 5	+0.9	3.00
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ‡	5	267 8	268.3	283 9	-3 3	0.99
S & W Capital	5	109 8	109 8	117 5	-1.1	2 00
S & W Cash ‡	0	101 85	101 85	101 85	+0 01	6.50
S & W European	5	105 9	106 1	112 2	-1 2	1 03
S & W Far Eastern	5	106 6	107 7	113 9	-2 0	0 00
S & W Growth	5	118 2	119 6	126.5	-0 8	1.57
S & W Income	5	104 0	105.2	111 3	-0 5	5.57
S & W Magnum	5	115 6	115 6	123 9	-1 3	1 93
S & W Smllr Secs	5	271.4	277.0	293 1	+0 5	0 78
S & W Thoroughbred	5	133 3	133 3	142 9	-1 6	1.81
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	88 91	88 91	90 99	(z)	0 00
Short Dtd Gilt	1½	107.2	107 2	108 6	(z)	3.57
U S Govmt Bond	1½	0.7046	0 7046	0 7138	(z)	0 00
Gilt Income	4	50 97	50 97	53 04	(z)	8.69
Gilt Growth	4	63 35	63 35	65 93	(z)	0 00
City Reserve	0	51.86	51 86	51.86	(z)	6.92
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 398046						
Stockmarket Fd F	5	64 75	64 97	69 11	+0 09	2.21

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Jan 6	631 5	651 2	-10 1	1.07
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52 40	54 25		4 8
Income Plus	48 94	49 94		7.5
James Capel Fund Managers Ltd				
European Exempt	99 395	100 457	-0.784	1.79
Japanese Exempt	101 227	102 673	-1 332	-
Managed Exempt	123 771	130 798	-1 087	3 75
North American Exempt	97 3330	98 5886	-1 0663	1.22
Pacific Exempt	97 3947	100 149	-1 602	-
Cent. Bd. of Fin. of Church of England				

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or −	Yield Gross
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	647.6	689.0	−3.4	−
Adventurous Mngd	154.7	164.6	−1.8	−
Cautious Mngd	123.3	131.2	−0.5	−
Cash Fd	315.7	332.7	..	−
Property Fund	216.1	229.9		−
Equity Fund	734.0	780.9	−9.6	−
Fxd Int. Fund	400.2	421.8	+0.9	−
International	324.1	344.8	−4.8	−
High Income	583.8	621.1	−0.5	−
Far East	421.5	448.5	−7.1	−
North American	434.6	462.4	−7.1	−
Special Sits	537.3	571.7	−0.4	−
Technology	447.3	475.9	−9.8	−
Extra Inc Fd	318.4	338.8	−0.8	−
Convertible & Gilt Fd	151.0	160.7		−
American Income	173.9	185.1	−3.1	−
Gilt Fund 20	438.0	466.0	−0.2	−
European Fund	114.5	121.9	−0.8	−
Pref & Fixed Int.	110.2	117.3		−
UK Blue Chip	117.5	123.9	−0.4	−
Recovery Fund	112.7	118.8	+0.2	−
Equity Income Dist.	104.4	111.1	−0.4	5.01
Managed Dist.	99.4	105.8	−0.5	5.25
High Yield Dist.	101.6	107.1	....	7.44
Pension Funds				
Balncd Gth Mgd Pens Acc	754.4	794.2	−4.2	−
Adventurous Mgd Pens Acc	162.2	170.8	−2.0	−
Cautious Mngd Pens Acc	142.3	149.8	−0.6	−
Building Soc. Acc	363.7	382.9		−
Property Pens Acc	294.2	309.7		−
Fix Int. Pens Acc	629.7	662.9	+0.3	−
Equity Pens Acc	950.2	1000.3	−8.8	−
International Pens Acc	299.2	315.0	−5.3	−
High Inc Pens Acc	651.6	685.9	−1.3	−
Tech Pens Acc	314.6	331.2	−7.7	−
N American Pens Acc	331.4	348.9	−5.9	−
Far Eastern Pens Acc	423.5	445.8	−8.9	−
Special Sits Pens Acc	440.9	464.2	−0.4	−
Extra Income Pens Fd	389.9	410.5	−1.7	−
Convertible & Gilt Pen	184.6	194.4	−4.2	−
American Inc Pens	198.0	208.5	+0.2	−
European Pens	127.0	133.7	−2.9	−
Managed Cash Pens	171.1	180.2		−
Pref & Fixed Pens	128.2	135.0		−
UK Blue Chip	124.9	131.5	−1.1	−

	Bid Price	Offer Price	+ or −	Yield Gross
Reliance Mutual				
Reliance House, Tunbridge Wells, Kent 0892 510033				
Deposit Acc Fd	168.0	176.8	....	−
Equity Acc Fd	399.9	421.0	−2.3	−
Managed Acc Fd	350.3	368.7	..	−
Prop Fd (1st Issue)	−	624.1	....	−
Prop Acc Fd (2nd Iss)	120.9	127.2	....	−
Unit Trust Ms. Fd	158.5	166.9		−
BL Pension Funds				
Deposit Acc	243.7	256.5	....	−
Equity Acc	297.0	312.6	−2.2	−
Fixed Int Acc	245.6	258.6	....	−
Gilt Indx Lnk Acc	184.6	194.3	....	−
Managed Acc	382.0	402.2	....	−
J Rothschild Assurance PLC				
J Rothschild House, Dollar Street, Cirencester				
Telephone. 0285 640302 Helpline: 041 307 6500				
Life Funds				
JRA/M&G Managed	113.1	119.1	−0.1	−
JRA/Scottish Amicable Mngd	109.0	114.8	−0.2	−
JRA/St James's Place Mngd	114.0	120.1	−1.2	−
Deposit	100.2	105.5	....	−
Far East	112.6	118.6	−0.1	−
Gilts	105.1	110.7	−0.4	−
Greater European	107.3	113.0	−1.3	−
North American	126.4	133.1	−3.5	−
UK Equity	113.6	119.6	−0.2	−
Pension Funds				
JRA/M&G Managed cap	111.2	117.1	−0.1	−
JRA/M&G Managed acc	114.9	121.0	−0.2	−
JRA/Scottish Amicable Mngd cap	107.1	112.8	−0.2	−
JRA/Scottish Amicable Mngd acc	110.7	116.6	−0.2	−
JRA/St James's Pl Mngd cap	117.2	123.5	−1.2	−
JRA/St James's Pl Mngd Acc	121.0	127.4	−1.4	−
Deposit cap	100.1	105.4	....	−
Deposit acc	103.4	108.9	....	−
Far East cap	108.7	114.5	−0.1	−
Far East acc	112.5	118.5	+0.1	−
Gilts cap	106.1	111.8	−0.4	−
Gilts acc	106.4	112.0	−0.2	−
Greater European cap	107.1	112.9	−1.3	−
Greater European acc	110.2	116.0	−2.0	−

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Punt under intense pressure

The French franc strengthened against the D-Mark inside the European Exchange Rate Mechanism yesterday, but pressures on the Irish punt intensified sharply, *writes James Blitz*.

A series of measures taken on Tuesday by the Bundesbank and the Bank of France to support the franc continued to have a positive effect on the currency yesterday. The franc closed nearly a centime higher at FFr3.409 against the D-Mark.

However, the focus of attention inside the system moved to the Irish punt, which dropped to its ERM floor against the Dutch guilder, the strongest currency operating within narrow bands in the system.

The Irish punt also hovered close to the ERM floor against the Belgian franc.

In consequence, the Irish authorities announced at the end of ERM trading that they would be raising the overnight rate to 50 per cent today from around 14 per cent.

It was uncertain whether the relief for the French franc could be sustained. Currency trading was quieter than usual yesterday because of the Epiphany holiday.

There were more indications that a number of continental fund managers had actively hedged themselves out of French francs in recent days, believing that a devaluation could occur. But several analysts pointed out that French corporates remain long of French francs, and that greater pressure on the currency now requires weakness from France's domestic investors.

There will be a strong focus today on the Bundesbank council meeting, and the possibility that interest rates may be cut.

Few in the market believe that there will be an easing in official rates. But a new set of economic forecasts has underlined the need for a policy easing. The DIW Institute's forecast for 1993 was particularly startling, predicting a 1 per cent drop in GDP in western Germany this year.

There was some speculation that the Bundesbank might carry out a "cosmetic" 50 basis point easing in the Lombard rate today. At 9.5 per cent, the Lombard rate level is well above market rates of about 8.75 per cent.

However, the omens for this were not promising. The Bundesbank announced that there will be no press conference after today's council meeting, and Mr Helmut Schlesinger, the central bank's president, yesterday reiterated his counter-inflationary policy in a speech in Oslo.

Mr Steve Hannah, head of research at IBJ International, continues to believe that the French franc will survive the current crisis. "I simply do not believe that something like the devaluation of the franc, with all the political consequences it would have, could occur without a real fight," he said.

"We have not seen anything like the number of rabbits that could be pulled out of the hat by the French," he said.

£ IN NEW YORK

Jan.6	Latest	Previous Close
£ Spot	1.5380-1.5390	1.5495 1.5505
1 month	0.55-0.53pm	0.55 0.53pm
3 months	1.43-1.40pm	1.45 1.42pm
12 months	3.95-3.85pm	4.05 3.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.6	Previous
8.30 am	82.3	80.2
9.00 am	82.2	80.2
10.00 am	82.0	80.2
11.00 am	81.7	80.2
Noon	81.7	80.5
1.00 pm	81.9	81.1
2.00 pm	81.7	80.8
3.00 pm	81.7	81.1
4.00 pm	81.7	81.2

CURRENCY RATES

Jan 6	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.904707	0.776864
U.S Dollar	3.00	1.36855	1.19870
Canadian $	7.43	1.74695	1.52954
Austrian Sch	8.25	15.7808	13.7731
Belgian Franc	7.75	46.0722	40.2824
Danish Krone	9.50	N/A	7.56561
D-Mark	8.25	2.24141	1.95844
Dutch Guilder	7.75	2.51649	2.19962
French Franc	10	7.63377	6.67137
Italian Lira	12.00	2099.74	1828.69
Japanese Yen	3.25	171.274	149.898
Norway Krone	-	9.59696	8.35675
Spanish Peseta	-	159.561	139.301
Swedish Krona	11.50	9.95278	8.68567
Swiss Franc	6.00	2.03093	1.77708
Greek Drach	19	N/A	261.005
Irish Punt	-	N/A	0.745229

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jan.5

CURRENCY MOVEMENTS

Jan 6	Bank of England Index	Morgan** Guaranty Changes %
Sterling	81.7	-28.55
U S Dollar	66.7	-10.8
Canadian Dollar	94.9	-7.50
Austrian Schilling	114.8	+16.52
Belgian Franc	115.7	+1.73
Danish Krone	116.9	+10.46
D-Mark	124.9	+31.73
Swiss Franc	110.8	+20.16
Dutch Guilder	119.3	+20.80
French Franc	109.0	-7.65
Lira	81.2	-34.38
Yen	152.1	+87.45
Peseta	99.5	-24.31

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jan.5

OTHER CURRENCIES

Jan 6	£	$
Argentina	1.5370 - 1.5400	0.99880 - 0.99980
Australia	2.3065 - 2.3085	1.4965 - 1.4975
Brazil	19737.4 - 19750.5	12824.8 - 12825.0
Finland	8.1565 - 8.3140	5.3750 - 5.3950
Greece	333.180 - 339.850	214.280 - 218.570
Hong Kong	11.9120 - 11.9280	7.7420 - 7.7430
Iran	2313.00*	1493.00*
Korea(Sth)	1213.20 - 1232.75	787.20 - 793.40
Kuwait	0.46770 - 0.46830	0.30370 - 0.30400
Luxembourg	51.70 - 51.80	33.50 - 33.60
Malaysia	3.9860 - 3.9975	2.5930 - 2.5940
Mexico	4.7900 - 4.7935	3.1105 - 3.1125
N Zealand	3.0390 - 3.0440	1.9735 - 1.9765
Saudi Ar	5.7665 - 5.7800	3.7495 - 3.7505
Singapore	2.5500 - 2.5605	1.6600 - 1.6610
S.Af (Cm)	4.7095 - 4.7215	3.0605 - 3.0625
S.Af (Fn)	7.5305 - 7.5860	4.8900 - 4.9260
Taiwan	39.05 - 39.20	25.35 - 25.45
U.A.E.	5.6485 - 5.6635	3.6715 - 3.6735

*Floating rate Iran Official rate £100.35 $66.60

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 6	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	176.305	-3.23	4.73	47
Spanish Peseta	143.386	139.301	-2.85	4.32	43
Dutch Guilder	2.21958	2.19962	-0.90	2.27	38
Belgian Franc	40.6304	40.2824	-0.86	2.22	35
D-Mark	1.96992	1.95844	-0.58	1.94	29
Danish Krone	7.51410	7.56561	0.69	0.66	-37
French Franc	6.60683	6.67137	0.98	0.37	-61
Irish Punt	0.735334	0.745229	1.35	0.00	-66

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5420	1.5366	1.5280	1.5180	1.5037

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	7	NatWestminster	7
AIB Bank	7	Equatorial Bank plc	7	Northern Bank Ltd	7
●Henry Ansbacher	7	Exeter Bank Limited	8	Nykredit Mortgage Bnk	7.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	7
Bank of Baroda	7	●Robert Fleming & Co	7	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	7	Girobank	7	Royal Bk of Scotland	7
Bank of Cyprus	7	●Guinness Mahon	7	●Smith & Williamson Secs	7
Bank of Ireland	7	Habib Bank AG Zurich	7	Standard Chartered	7
Bank of India	7	●Hambros Bank	7	TSB	7
Bank of Scotland	7	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	7	Heritable & Gen Inv Bk.	7	●United Bk of Kuwait	7
Brit Bk of Mid East	7	●Hill Samuel	7	Unity Trust Bank Plc	7
●Brown Shipley	7	C. Hoare & Co	7	Western Trust	7
CL Bank Nederland	7	Hongkong & Shanghai.	7	Whiteaway Laidlaw	7
Citibank NA	7	Julian Hodge Bank	7	Yorkshire Bank	7
City Merchants Bank	7	●Leopold Joseph & Sons	7		
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7	McDonnell Douglas Bk.	7		
Credit Lyonnais	7	Midland Bank	7		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Easier tone in Europe

THERE was a much easier tone to trading in both European cash and futures yesterday as pressures inside the Exchange Rate Mechanism eased, *writes James Blitz*.

Cash rates in the French franc market fell as the currency strengthened against the D-Mark, moving above FFr3.41 against the D-Mark. There was continuing tension in the Irish punt money market, with the authorities announcing that overnight rates will be set at 50 per cent from today.

UK clearing bank base lending rate 7 per cent from November 13, 1992

The effects of Tuesday's Franco-German communique supporting the franc continued to be felt in markets, and there was a little more confidence about the prospects of the franc surviving the current crisis without the need to devalue.

Three month money fell to 12¼ per cent from 14 per cent the day before, and the overnight rate was a 12½ per cent from 15 per cent on Tuesday.

The more positive tone was felt in French franc futures, where the March contract closed up 17 basis points at 90.46.

Euromark futures enjoyed a minor rally yesterday following rumours that the Bundesbank was planning a 50 basis point cut in the Lombard rate to support the French franc. The March contract rose 7 basis points to a high of 92.25 on the rumour, but later fell back to close unchanged on the day at 92.18 after it faile to be substantiated.

Indeed, what hard news there was from the Bundesbank tended to be bearish. Mr Helmut Schlesinger, the Bundesbank President, said that inflation continued to be the central bank's top priority. It was also disclosed that there would be no news conference following today's meeting of the central bank's council, which was interpreted as implying that there will be no rate cut.

In the sterling markets, dealers ignored the sharp appreciation of the pound against both the D-Mark and dollar. Cash and futures prices implied that there will be no imminent cut in UK base rates.

The March short sterling contract fell back 10 basis points to a low of 93.30, but later recovered to close at 93.35.

In the cash market, 3-month money was unchanged at around 7¼ per cent. One dealer said that base rates were probably going down, but the next cut may not be till after the spring.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.6) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	3.26	Three year	4.98
Broker loan rate	5	Two month	3.13	Five year	5.93
Fed.funds	3½	Three month	3.17	Seven year	6.33
Fed.funds at intervention	-	Six month	3.36	10-year	6.61
		One year	3.58	30-year	7.34
		Two year	4.51		

LONDON MONEY RATES

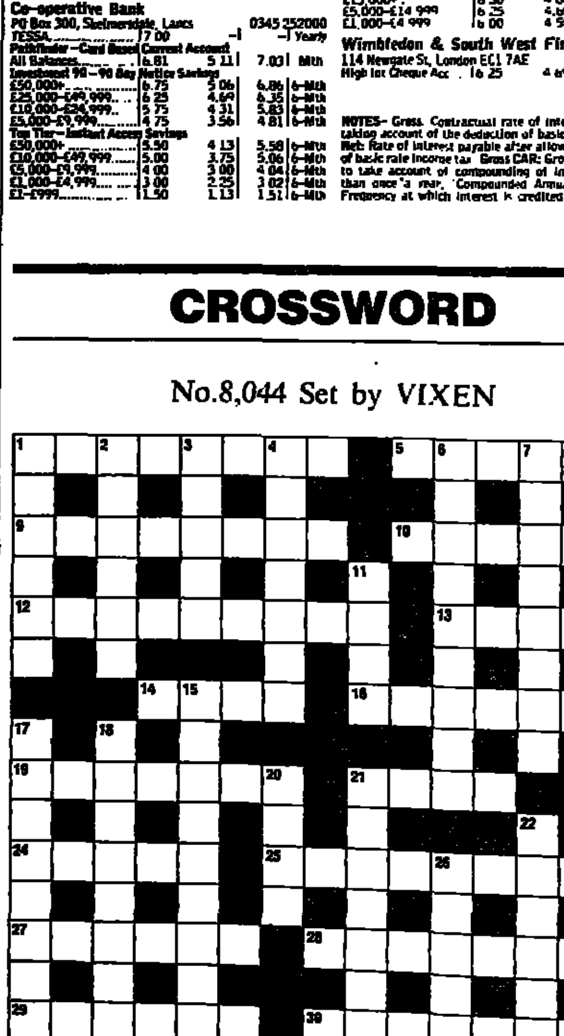
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,044 Set by VIXEN



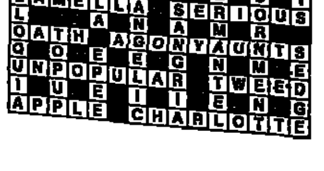
ACROSS

1 Unequalled swimmer among the Asteroidea (8)
5 They reckon a minister's to receive the queen (6)
9 Grand race of people (8)
10 Having a point, told to go for authorisation (6)
12 Get rams in maybe – those getting out (9)
13 More craft turned back, no longer being at the forefront (5)
14 An employer in a more prosperous era (4)
16 Think to get up quietly in very severe extremes (7)
19 Discernment shows one things differently (7)
21 Heart of gold apparent in church (4)
24 Rushed in keys and some money (5)
25 Caught a number in seeing off certain foreigners (9)
27 Property-owner lacking nothing, right? (6)
28 The worker gets a few, and that's fine (8)
29 Most reasonable since returning home (6)
30 An odd escort for an older member of the family! (8)

DOWN

1 The person who burns to be an entertainer (6)
2 A woman's article on pollution's read up (6)
3 Meal for a quartet about fifty (5)
4 A composer making his mark? (7)
6 Colour can give rise to beastly ill-feeling (9)
7 Support demonstration (8)
8 Well satisfied with state-aid provision (8)
11 In this island there lived a goddess (4)
15 Bill's without financial liability after slump, being prudent (9)
17 Hidden dangers for the grossly fat in medication (8)
18 Dope doubly favoured, though a killer (8)
20 Gather food (4)
21 Hold on – it can explode! (7)
22 Still writing on the subject of civil wrong (6)
23 Facing change around about the second half of June (6)
26 A dunderhead led astray and confused (5)

Solution to Puzzle No.8,043



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WORLD STOCK MARKETS

AUSTRIA

January 5	Sch	+ or –
Austrian Airlines	1,520	...
Creditanstalt Pf	419	...
EA General	3,045	...
EVN	712	...
OeMV	615	...
Perlmooser Zement	1,080	...
Radex Heraklith	329	...
Reininghaus Brue	928	...
Steyr Daimler	214	...
Veitscher Magnesit	244	...
Verbund (Br) A	385	...
Vienna Int Airport	443	...
Wienerberger	2,985	...
Z-Laenderbank	1,110	...

BELGIUM/LUXEMBOURG

January 6	Frs.	+ or –
AG Group	2,155	+5
Ackermans	2,590xd	+10
Almanij	6,000	+10
Arbed	1,765	–15
BBL	3,150	+25
Bank Intl a Lux	11,500	...
Banq Gen Lux Pts	13,501	–49
Banque Nat Belg	33,175	+975
Bekaert	13,450xd	+25
CBR Cimen	8,190	+40
CMB	1,540	...
Cobepa	4,300	–40
Cockerill Priv	93	+1
Colruyt	5,230	–10
Delhaize Frs Lion	1,248	–32
Electrabel	5,720	–30
Electrabel AFV1	5,560	–110
Electrafina ACT	2,140	...
GBL	2,725	–60
GBL AFV 1	2,700	–30
GIB Group	1,300	–6
Generale Banque	7,090	–110
Gevaert	6,330	–50
Glaverbel	3,070	–5
Immobel	2,570	+20
Kredietbank	5,870	–20
Kredietbank AFV	5,650	–40
Mecaniver	5,800	...
Mosane	1,340	–20
Pan Holding Lux	12,600	...
Petrofina	7,480	–130
Powerfin	2,550	+5
Recticel	290	+4
Royale Belge	4,150	–15
Royale Belge AFV 1	3,810	–120
Soc Gen Belge	1,925	+5
Soc Gen Belge AFV	1,900	–50
Sofina	9,920	–80
Solvac	1,298	+28
Solvay	11,600	–25
Tractebel	7,850	+20
UCB	22,900	+375
Union Miniere	2,155	–25

DENMARK

January 6	Kr	+ or –
Aalborg Portland A	389	–16
Baltica Holding Reg	174.56	–5.44
Bikuben	208	–2
Carlsberg A	264.34	+8 85
Codan	4,000	...
D/S 1912 A	83,000	+4,000
Danisco	626.43	+1.43
Den Danske Bank	245	...
East Asiatic	82	–4
FLS Ind B	430	–4
Great Nordic	309	+11

FRANCE (continued)

GERMANY (continued)

NETHERLANDS (continued)

SWEDEN (continued)

FINLAND

GERMANY

ITALY

SPAIN

SWITZERLAND

NORWAY

SOUTH AFRICA

JAPAN

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

AUSTRALIA

CANADA

TORONTO

3 pm January 6

MONTREAL

2:45 pm January 6

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

TOKYO - Most Active Stocks

Wednesday, 6 January, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Isuzu Motor	3.3m	-9	329	Toshiba Corp	2.1m	-6	628
Dowa Mining	2.6m	+ 14	544	Mitsui Min & Sml	2.1m	-8	482
NPN Steel Corp	2.5m	-8	283	NEC Corporation	1.8m	+ 18	689
Kyosan Elec	2.3m	+ 16	829	Fujitsu General	1.8m	-3	484
Shiseido	2.2m	-10	1,370	Hitachi	1.7m	-1	758

3 pm January 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 - 93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	10¼	AAR Corp	0.48	4.0	22	51	12⅛	12	12	
26½	18	A L Labs A	0.16	0.7	157	400	25⅞	25	25¼	-⅛
66¾	52⅝	AMP Inc	1.52	2.6	21	923	58⅜	58	58⅜	+⅛
80¼	54⅝	AMR				133561	67½	66⅝	67¼	+⅜
2⅜	1¾	ARX			12	100	1¾	1¾	1¾	
53½	30½	ASA	2.00	6.3	20	359	31½	31	31½	+½
34¼	26¼	Abbott Lab	0.60	2.1	20	6891	29⅜	28½	28¾	-1
13⅞	10⅛	Abitibi Pr	0.50	4.4	4	22	11⅜	11¼	11¼	
11⅝	10¼	ACM Gvt In	0.36	3.3		183	11	10⅞	10⅞	-⅛
10⅜	9	ACM GvOpp	1.21	12.9		60	9½	9⅛	9⅜	-⅛
9⅞	8½	ACM Gvt Sp	0.85	9.4		229	9	8⅞	9	
11⅛	9⅞	ACM Gvt Se	1.01	9.4		150	10¼	10⅝	10¾	+⅛
10⅝	6⅝	ACM Man	1.18	11.7		120	10⅛	10	10⅛	
12⅞	8⅝	ACM Managd	0.78	8.7		108	9	8¼	9	+⅛
11⅜	4⅜	Acme Cleve	0.40	4.9	15	47	8⅛	8⅛	8⅛	-⅛
7⅛	3¼	Acme Elect			140	16	7	6⅞	7	
33¼	14⅝	Acuson				112564	15¼	14¾	15⅛	+⅛
21	18⅛	Adams Expr	1.62	8.1	1	51	20	19⅞	20	
49⅛	23½	Ad Micro	3.00	6.2		375	48⅛	47¼	48¼	+⅝
21½	7½	Ad Micro P	3.00	15.4	6	1249	19⅝	19⅜	19½	+½
9⅛	4⅞	Advest Grp	0.16	2.8	11	13	5⅝	5½	5⅝	
42¾	33	Aegon ADR	1.35	3.3	7	37	41½	41⅜	41⅜	-⅛
48¾	38	Aetna Lf	2.76	5.9	13	1690	47⅛	46⅞	47	+⅜
12¾	8⅛	Affil A	0.24	1.9	17	1401	12⅝	12⅛	12⅝	+½
34⅞	24	Aflac	0.44	1.3	16	650	34⅝	34¼	34½	+⅛
19½	13	Ahmanson	0.88	4.9	83	680	18⅛	17⅞	18	+⅛
22½	4	Aileen Inc			11	209	7⅛	6¾	6⅞	-⅜
48½	36½	Air Pr Chm	0.88	1.8	19	750	47½	47¼	47½	+⅛
29¾	12½	Airbne Frt	0.30	1.6	102	1720	18¾	18⅜	18½	+⅛
23	17¼	Airgas Inc			31	72	21	20⅝	21	
12⅛	8⅛	Airlease	1.60	15.2	8	37	10⅝	10½	10½	
104	99	AlaPwd 1S	8.16	8.0		z100	102	102	102	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

1992–93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chg
65	50½	Xerox4.125				2100	53	53	52	–1
44⅛	24⅞	Xtra 1.94	1.94	4.4		29	u44⅛	44⅛	44⅛	
64⅛	28½	Xtra Corp	0.60	1.3	16	467	63¾	62½	62⅞	–1⅛
30⅝	25¼	Yankee Egy	1.66	5.6	13	23	29⅞	29⅝	29¾	+⅛
1½	½	Zapata			37	168	⅞	¾	¾	–⅛
11⅛	5	ZenithElec			2	169	6¼	6⅛	6¼	
20	14½	Zenith Nat	1.00	5.0	9	50	u20⅜	20⅛	20⅛	–⅜
7½	6	Zenix Inc	0.82	12.1		56	6¾	6⅝	6¾	+⅛
14⅛	10	Zero Corp	0.40	2.7	22	110	u14⅞	14½	14⅝	
39⅞	27¾	Zurn Ind	0.88	2.2	45	1778	u40½	38¾	40	+1¼
14⅛	12	Zweig Fund x	1.44	11.2		170	12⅞	12⅞	12⅞	+1/16
11	9½	Zweig TotI	0.96	9.5		703	10⅛	10	10	–⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are *annual disbursements* based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm January 6

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	30	730	14⅛	14	14⅛	
Perini	0.80	18	74	18⅛	17¾	18	
Pet HI&P	1.14	11	6	17¼	17¼	16¾	–¼

[illegible]

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NASDAQ NATIONAL MARKET

3 pm January 6

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		27	3404	25¼	23⅞	25⅛	+1⅜
Xoma Corp		4	2141	10	9¼	9¾	–⅛
Yellow Fr	0.94	21	807	27⅞	27⅝	27¾	+⅛
York Rsch		7	567	7¼	7	7⅛	–⅛
ZionsUtah	0.84	12	23	u78¼	76½	77½	+⅜

AMERICA

Middle East reports cloud equities

Wall Street

US SHARE prices were mixed across the board yesterday as underlying optimism about the economy and equities was tempered by concern about developments in the Middle East, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 12.97 at 3,294.90, its low for the session. The more broadly based Standard & Poor's 500 was down 1.37 at 432.97, while the Amex composite was 0.53 weaker at 396.78, and the Nasdaq composite 3.88 firmer at 678.22. Trading volume on the NYSE was 173m shares by 1 pm.

As happened earlier in the week, blue-chips struggled to hold on to early gains. Secondary issues meanwhile, especially small company growth stocks, posted fresh gains to add to Tuesday's solid rally.

Investor sentiment about the economy remained broadly positive, if somewhat cautious ahead of tomorrow's important jobs data for December. A cloud was cast over the market, however, by reports that the US and its allies were ready to issue an ultimatum to Iraq to remove recently deployed surface-to-air missiles from the southern part of Iraq.

In the light of yesterday's belligerent statements from the Iraqi leader, Saddam Hussein, investors were worried that a resumption of hostilities in the Middle East could undermine consumer confidence in the US temporarily, and hinder the recovery.

Among individual stocks, Philip Morris continued to decline, dropping another $2⅝ to $70⅞ in volume of almost 5m shares.

Troubled early in the week by reports that cigarette taxes in New York state might be raised, the stock was hit yesterday by the news that the Environmental Protection Agency was about to declare that "passive" tobacco smoke is a human carcinogen – a finding that could lead to drastic new curbs on smoking in workplaces and public areas. Philip Morris countered yesterday by claiming that the EPA had ignored research findings showing that non-smokers had no cancer risk from passive smoke.

Other tobacco stocks were also weaker on the news. RJR Nabisco eased $¼ to $8¼ in volume of 2.6m shares, and American Brands slipped $⅛ to $38⅛.

Car stocks remained in the spotlight as the motor show in Detroit entered its third day. Chrysler jumped $2⅝ to $35⅞ in volume of 4.5m shares, aided by a Wall Street broker's earnings upgrade and reports that analysts are looking more positively at the company and its new vehicles.

Chrysler also said yesterday that it was considering launching a credit card.

General Motors, which already has its own credit card, firmed $⅝ to $33⅞ and Ford edged $¼ higher to $44⅞.

Pfizer fell $2⅛ to $67⅞ in busy trading after a California court upheld the earlier decision of a lower court to allow recipients of the company's Bjork-Shiley heart valve to sue Pfizer in the California courts over malfunctions of the valve.

Canada

TORONTO eased marginally by midsession, shadowing losses on Wall Street. The TSE-300 index lost 1.66 to 3,351.9 in volume of 24.2m shares valued at C$197m.

ASIA PACIFIC

Nikkei falls on arbitrage selling

Tokyo

FUTURES-linked arbitrage selling gave a downward impetus to Tokyo share prices in another day of quiet trading, *writes Bethan Hutton in Tokyo.*

The Nikkei average ended at 16,782.88, down 59.70 from Tuesday's close. The index followed the previous day's pattern, reaching a high of 16,862.45 in early trading before selling by arbitrageurs pushed it to a low of 16,650.35 in the afternoon. The market rallied shortly before the close.

Declining stocks outnumbered rises by 569 to 347, with 179 issues unchanged. Volume remained low, at an estimated 170m shares against Tuesday's 167m. The Topix index of all first section shares dipped 6.26 to 1,291.87. In London the ISE/Nikkei 50 index firmed 0.70 to 1,054.25.

Brokers expect trading to remain quiet for the rest of this week, with no important economic data announcements scheduled which could provide impetus to a lacklustre market.

"Most of us are still waiting for the Ministry of Finance and the Bank of Japan to show their hands," said Mr Brian Tobin of S.G. Warburg. "A lot of people were expecting there would be an interest rate cut by the end of 1992."

Construction, heavy industry and foods issues led a decline in most sectors, with only a few stocks backed by specific buying incentives.

Brokers said some issues, such as Nintendo and Sega, which traditionally had a year-end run were still holding up well, because their profitability stood out in contrast to other companies.

Isuzu Motors kept its position as the most actively traded stock for the third consecutive day, easing back Y9 to Y329 after recent strong gains on expectations of restructuring. Other motors closed mostly lower after Tuesday's news that new vehicle registrations in Japan fell by 7.2 per cent last year. Nissan Motor declined Y12 to Y550 and Toyota Motor and Honda Motor each slipped Y10 to Y,1440 and Y1,310 respectively.

Asics, the sporting goods company, was the day's biggest loser, dropping Y43 to Y420 after announcing a 55 per cent year-on-year decline in pre-tax profits.

Dowa Mining gained Y14 at Y544 in volume of 2.6m shares on reports of its successful development of superconductive thin films. Fujitsu General, the consumer electronics affiliate of Fujitsu, was traded heavily for a second day on news that it is to handle production of Fujitsu's new home-use multi-media device. Late profit-taking left Fujitsu General down Y3 at Y464.

In Osaka the OSE average finished 30.62 down at 18,393.98 in volume of 58m shares.

Roundup

THE REGION saw mixed performances yesterday.

HONG KONG ended higher in moderate trading, helped by expectations of renewed institutional buying in the new year and the suspension of trading in CITIC Pacific amid rumours that it was about to make a HK$7bn placement to buy a 10 per cent stake in Hong Kong Telecom held by its Beijing parent.

The Hang Seng index put on 38.64 at 5,586.67 as turnover improved further to HK$2.02bn from HK$1.71bn.

HSBC Holdings topped the actives list and jumped HK$1.50 to HK$57, followed by its Hang Seng Bank unit, which gained 50 cents at HK$53.50, and HK Telecom, up 5 cents at HK$9.70.

TAIWAN closed at a 26-month low on poor economic data and political worries. The weighted index fell 153.74, or 4.6 per cent, to 3,188.44 in moderate turnover of T$10.75bn.

The data revealed that the country's trade surplus had shrunk to an eight-year low while the average annual inflation rate had reached an 11-year high in 1992.

SINGAPORE suffered from profit-taking after sharp gains on Tuesday. The Straits Times Industrial index shed 4.13 to 1,558.22 in volume of 149m shares.

Foreign shares of SIA, OCBC, DBS and UOB topped the list of losers, eaching falling between 40 and 20 cents.

SEOUL finished easier as large-capitalisation shares lost momentum. The composite index was 2.39 lower at 688.40 in turnover of Won677.34bn, against Won667.62bn.

BANGKOK saw heavy buying of banks in the afternoon, boosting the stock index to a close above the 900 level for the first time since authorities filed share manipulation charges against a leading investor in November. The SET index rose 13.20, or 1.5 per cent, to 904.11 in active turnover of Bt9.92bn.

MANILA was lifted by the oil sector and the composite index moved up 2.81 to 1,277.42 in turnover of some 236m pesos. Philippine Long Distance Telephone lost 5 pesos to 875 pesos.

KUALA LUMPUR showed some improvement on bargain hunting. The composite index rose 2.77 to 633.66 in volume of 74m shares. Multi-Purpose Holdings group shares led the gains as Multi-Purpose added 12 cents at M$1.82 with 7.6m shares traded.

AUSTRALIA fell back on profit-taking before the release of November balance of payments data. The All Ordinaries index lost 22.7 to 1,542.1 in turnover of A$276.3m.

News Corp weakened 80 cents to A$28.60 on news that the head of its Fox Broadcasting unit in the US had resigned.

NEW ZEALAND was depressed by interest rate rises, the NZSE-40 capital index falling 26.36, or 1.66 per cent, to 1,557.07. Turnover was high at NZ$27m.

SOUTH AFRICA

De Beers rises 3.5%

DE BEERS led shares higher in Johannesburg yesterday, although trading volumes were generally thin.

The overall index added 31 at 3,280 and the industrial index climbed 43 to 4,406. The gold index was up 7 at 782. Dealers said activity was likely to improve later in the week as more investors entered the market after evaluating investment strategies.

De Beers reported that rough diamond sales by its Central Selling Organisation had fallen by 13 per cent during 1992 to $3.42bn, with second-half sales declining by 12 per cent to $1.63bn. However, the fall was smaller than most analysts' forecasts and De Beers closed R2, or 3.5 per cent, up at R59.75.

De Beers' associate, Anglos, reversed an earlier loss to finish R1.15 ahead at R87.90.

Gold shares showed resilience as investors looked for a bounce in the price of bullion from its recent lows. Vaal Reefs gained R2 at R139 and Kloof added 25 cents at R24.25.

Elsewhere, Gencor appreciated 20 cents to R10, Richemont improved 45 cents to R37.25 and Sasol moved forward 35 cents to R16.85.

EUROPE

Interest rate prospects sway continental trade

INTEREST rate considerations moved a number of bourses yesterday. *Milan, Madrid,* Stockholm and Vienna were closed for a public holiday, *writes Our Markets Staff.*

PARIS had a volatile and heavy day's trading as the CAC-40 went as low as 1,846.99 and as high as 1,870.44 before ending 8.85 higher at 1,859.63. A firmer franc and hopes of lower interest rates also supported the market. Turnover was a heavy FFr3bn, due to activity in leading stocks such as Société Générale and Alcatel.

Alcatel fell FFr13 to FFr675 on news that the company was calling in its series of 6 per cent convertible bonds issued in 1989 from February 3. The stock has also been downgraded by some brokers recently.

Société Générale dropped *FFr9 to FFr608 and Paribas* rose FFr11.20 to FFr351.70 on reports that Lehman Brothers had recommended a switch from Société Générale into Paribas. Dealers added that Société Générale was due for a correction after its recent gains.

The hypermarkets group, Carrefour, rose FFr41 to FFr2,391 on news that its December sales had risen 7.9 per cent from December 1991 to FFr16.1bn.

FRANKFURT was stopped in its tracks after the Bundesbank president, Mr Helmut Schlesinger, said in a speech in Oslo that German inflationary risks must be capped before interest rates could come down.

This soured hopes that the Bundesbank would cut key interest rates at today's council meeting, following speculation of a rate cut on Tuesday when France and Germany pledged support for the embattled franc.

German market turnover fell from DM4.1bn to DM3.4bn. The DAX index closed virtually flat, just 0.04 lower at 1,556.38 after Tuesday's 1.6 per cent gain.

However, there was some movement in second-liners. AMB rose another DM37 to DM820, up DM70 this week on the sale of a majority stake in BfG to Credit Lyonnais. Escada dropped another DM17 to DM122, compared with a 1992 high of DM585, on worries about the *fashion* company's future following the death of its co-founder, Ms Margaretha Ley, last year.

AMSTERDAM, encouraged by hopes of a cut in domestic interest rates today, enjoyed another strong day with the CBS Tendency index rising 0.9 to 97.4.

Among the day's features, VNU gained Fl 3.10 or 3.5 per cent to Fl 92.50 as investors continued to react to Tuesday's report that it expected an 8 per cent improvement in 1992 net profit. Elsevier was Fl 2.40 stronger at Fl 124.30.

Wessanen, the food group, advanced Fl 2.30 or 2.3 per cent to Fl 102.40 after it forecast a 12 per cent increase in 1993 earnings. Elsewhere, Nedlloyd advanced Fl 1.10 to Fl 34.50 and DSM was 30 cents higher at Fl 76.10.

The financial sector went against the trend after recent gains with ING down 70 cents at Fl 56.30 and ABN Amro losing 10 cents to Fl 52.00.

ZURICH featured an accelerated fall in CS Holding following confirmation of its planned takeover of Swiss Volksbank, the bearers finishing SFr120 or 5.7 per cent lower at SFr1,980. There were outside estimates of a 12 per cent dilution in CS Holding earnings for 1993 as a result of the Volksbank acquisition.

Investors were encouraged to switch to other banks. SBC rose SFr13 to SFr326 and Volksbank closed at SFr1,100, up SFr380 from its pre-suspension close. The SMI index fell 3.5 to 2,124.4.

BRUSSELS closed mostly lower as the retailer, Delhaize, fell another BFr32 to BFr1,248. Its US unit, Food Lion, is due to release its December sales figures today and Delhaize is expected to make a statement on its 1992 earnings tomorrow. The Bel-20 index fell 6.4 to 1,132.13 in turnover of BFr962m.

Among other leading stocks, Petrofina saw its Tuesday gains wiped out as it fell BFr130 to BFr7,480, and Solvay eased BFr25 to BFr11,600.

OSLO rose another 1 per cent, helped by expectations of lower domestic interest rates. After the market closed, the central bank said that it was cutting the overnight lending rate to 10.5 per cent from 11 per cent from today. The all-share index gained 4.12 to 394.93 in turnover of NKr338m.

Among major stocks, Norsk Hydro and Kvaerner free shares both gained NKr4 to NKr163 and NKr169 respectively.

ISTANBUL gained 1.1 per cent in selective trade based on year-end company profit expectations, and the 75-share market index ended at the highest close in more than three months, up 46.52 at 4,125.00.

DUBLIN reflected the heavy speculation in the London and New York currency markets against the Irish pound. The ISEQ overall index rose another 20.49 to 1,295.77, extending its gain to 5.6 per cent in three days.

Once again, five majors combining a domestic play with overseas earnings led the gains. Allied Irish Banks outdistancing Bank of Ireland, Irish Life, CRH and Smurfit with a rise of 8p to I£1.82.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

January 6 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1091.33	1090.89	1089.81	1088.04	1092.35	1092.55	1093.48	1091.68
FT-SE Eurotrack 200	1182.37	1181.39	1179.95	1177.97	1182.88	1182.18	1181.56	1179.18

	Jan 5	Jan 4	Dec 31	Dec 30	Dec 29
FT-SE Eurotrack 100	1090.07	1083.42	1083.35	1084.02	1086.47
FT-SE Eurotrack 200	1180.16	1174.71	1169.11	1166.76	1167.59

Base value 1000 (26/10/90) Highday 100 - 1093.58. 200 - 1184.12 Low/day 100 - 1087.57 200 - 1177.78

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World indices as at DECEMBER 31, 1992are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Market capitalisation as at DECEMBER 31, 1992 (US$m)	% of World Index	Market capitalisation as at SEPTEMBER 30 1992 (US$m)	% of World Index	% change in $ index since DECEMBER 31, 1991
Australia (68)	96564.3	1.34	94116.9	1.31	−17.06
Austria (18)	9688.6	0.13	11277.4	0.16	−15.84
Belgium (42)	49200.4	0.68	54617.1	0.76	−7.70
Canada (113)	127864.4	1.78	129378.4	1.79	−15.16
Denmark (34)	22638.3	0.32	25030.1	0.35	−30.33
Finland (15)	1424.8	0.02	1216.1	0.02	−10.78
France (99)	234315.7	3.26	257942.6	3.58	−2.17
Germany (64)	238480.5	3.32	261262.8	3.62	−11.32
Hong Kong (53)	103609.8	1.44	106178.6	1.47	+25.63
Ireland (16)	8589.0	0.12	9197.8	0.13	−19.09
Italy (77)	77353.0	1.08	72498.5	1.01	−27.22
Japan (472)	1826976.4	25.43	1893429.9	26.27	−22.67
Malaysia (69)	40861.7	0.57	39051.3	0.54	+22.08
Mexico (18)	45046.1	0.63	33504.0	0.46	+18.45
Netherland (25)	110946.5	1.54	123701.6	1.72	−0.84
New Zealand (13)	10571.7	0.15	10141.7	0.14	−8.71
Norway (22)	6060.1	0.08	6427.3	0.09	−22.98
Singapore (38)	24060.4	0.33	21117.1	0.29	−2.88
South Africa (60)	58863.8	0.82	71106.9	0.99	−40.50
Spain (48)	63922.9	0.89	65509.9	0.91	−25.44
Sweden (31)	49393.2	0.69	42958.6	0.60	−8.60
Switzerland (60)	146086.3	2.03	155362.4	2.16	+12.59
United Kingdom (226)	757019.8	10.54	788766.3	10.94	−7.00
USA (522)	3074287.2	42.79	2934530.6	40.71	+4.84
Europe (777)	1775119.0	24.71	1875768.6	26.02	−7.91
Nordic (102)	79516.4	1.11	75632.1	1.05	−19.30
Pacific Basin (713)	2102644.3	29.27	2164035.5	30.02	−19.99
Euro – Pacific (1490)	3877763.3	53.98	4039804.1	56.04	−15.05
North America (635)	3202151.6	44.57	3063909.0	42.51	+3.86
Europe Ex. UK (551)	1018099.2	14.17	1087002.3	15.08	−8.59
Pacific Ex. Japan (241)	275668.0	3.84	270605.6	3.75	+3.77
World Ex. US (1681)	4109537.6	57.21	4273793.4	59.29	−15.31
World Ex. UK (1977)	6426805.1	89.46	6419557.7	89.06	−7.78
World Ex. So. Af. (2143)	7124961.0	99.18	7137217.1	99.01	−7.28
World Ex. Japan (1731)	5356848.4	74.57	5314894.1	73.73	−1.05
The World Index (2203)	7183824.8	100.00	7208324.0	100.00	−7.71

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 5 1993								MONDAY JANUARY 4 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	124.03	−1.2	118.98	98.04	104.79	122.59	+0.3	3.96	125.56	123.90	99.45	106.83	122.27	153.68	108.18	151.64
Austria (18)	135.18	+1.7	129.67	106.85	114.20	114.49	+1.2	2.13	132.97	131.21	105.32	113.13	113.14	186.70	132.97	171.15
Belgium (42)	133.45	+1.7	128.02	105.48	112.74	110.25	+1.0	5.19	131.19	129.45	103.90	111.61	109.19	152.27	131.19	145.11
Canada (113)	115.30	+0.1	110.61	91.13	97.40	106.62	+0.1	3.18	115.13	113.60	91.18	97.94	106.54	142.12	111.36	137.87
Denmark (33)	189.86	+2.6	182.13	150.08	160.40	162.62	+1.8	1.88	185.11	182.65	146.61	157.49	159.80	273.94	181.70	273.94
Finland (15)	72.95	+5.9	69.98	57.67	61.63	82.21	+5.2	1.66	68.88	67.97	54.56	58.60	78.13	89.80	52.84	81.71
France (99)	146.40	+1.4	140.44	115.72	123.66	127.34	+0.6	3.54	144.33	142.42	114.31	122.79	126.61	168.75	136.93	151.34
Germany (62)	104.56	+2.3	100.30	82.66	88.33	88.33	+1.6	2.58	102.20	100.85	80.96	86.95	86.95	129.69	102.20	118.77
Hong Kong (55)	223.50	+2.1	214.40	176.66	188.82	222.18	+2.2	4.04	218.82	215.92	173.31	186.18	217.48	262.28	176.36	179.04
Ireland (16)	142.18	+2.1	136.39	112.39	120.12	123.93	+1.4	4.42	139.28	137.43	110.31	118.50	122.20	173.71	122.98	170.68
Italy (76)	53.78	−0.3	51.59	42.51	45.43	61.36	+0.1	3.39	53.96	53.25	42.74	45.91	61.28	80.96	47.47	76.58
Japan (472)	104.13	−0.4	99.89	82.31	87.98	82.31	−0.6	1.02	104.50	103.12	82.77	88.92	82.77	140.95	87.27	139.20
Malaysia (69)	258.93	+0.0	248.39	204.66	218.75	258.48	−0.5	2.57	258.84	255.41	205.00	220.22	259.69	282.42	212.49	215.94
Mexico (18)	1669.89	+1.3	1601.92	1319.98	1410.78	5694.57	+1.3	1.05	1647.91	1626.07	1305.21	1402.06	5621.41	1789.77	1185.84	1410.26
Netherland (25)	152.54	+1.3	146.34	120.58	128.88	127.17	+0.5	4.47	150.66	148.66	119.33	128.19	126.49	169.70	147.88	154.14
New Zealand (13)	42.91	+0.3	41.16	33.92	36.25	45.09	+1.8	4.94	42.76	42.19	33.87	36.38	44.31	48.52	37.39	47.86
Norway (22)	144.28	+3.9	138.41	114.05	121.90	136.11	+3.5	1.77	138.62	136.98	109.95	118.11	131.47	192.95	128.05	186.44
Singapore (38)	216.50	+2.1	207.69	171.14	182.91	165.07	+2.3	1.99	212.10	209.29	167.99	180.46	161.42	229.63	179.65	223.53
South Africa (60)	144.72	−0.1	138.83	114.40	122.26	156.41	−0.2	3.26	144.88	142.96	114.75	123.26	156.72	263.60	134.21	255.43
Spain (47)	118.24	+2.6	113.43	93.47	99.90	103.91	+2.3	5.84	115.23	113.71	91.27	98.04	101.62	181.72	107.10	156.54
Sweden (31)	168.73	+1.7	161.86	133.38	142.55	180.60	+2.3	2.30	165.90	163.70	131.40	141.15	176.46	200.28	149.69	183.85
Switzerland (56)	114.28	+1.4	109.63	90.34	96.56	104.08	+0.7	2.06	112.71	111.21	89.27	95.90	103.38	122.37	95.99	102.85
United Kingdom (226)	175.71	+2.0	168.56	138.88	148.43	168.56	−0.8	4.39	172.18	169.90	136.38	146.48	169.90	200.07	161.86	185.10
USA (522)	177.45	−0.3	170.23	140.28	149.93	177.45	−0.3	2.88	177.91	175.55	140.92	151.38	177.91	180.06	160.92	170.13
Europe (768)	137.44	+1.8	131.85	108.64	116.12	125.62	+0.3	3.76	134.98	133.19	106.91	114.85	125.26	156.88	131.31	148.62
Nordic (101)	151.80	+2.3	145.62	119.99	128.24	144.60	+2.5	2.06	148.32	146.35	117.48	126.19	141.13	188.52	141.24	188.15
Pacific Basin (715)	108.90	−0.2	104.47	86.08	92.00	87.94	−0.3	1.37	109.15	107.71	86.46	92.87	88.24	141.97	93.70	140.35
Euro – Pacific (1483)	120.45	+0.7	115.55	95.20	101.75	102.97	−0.1	2.48	119.60	118.02	94.72	101.75	103.02	145.21	113.80	143.99
North America (635)	173.60	−0.2	166.53	137.24	146.69	172.65	−0.2	2.89	174.02	171.71	137.85	148.08	173.07	176.04	158.70	168.07
Europe Ex. UK (542)	114.83	+1.7	110.16	90.79	97.03	102.28	+1.1	3.28	112.96	111.47	89.49	96.13	101.18	132.98	111.33	126.64
Pacific Ex. Japan (243)	155.72	+0.6	149.38	123.11	131.57	145.36	+1.1	3.65	154.82	152.77	122.64	131.74	143.77	175.31	146.06	151.64
World Ex. US (1674)	121.51	+0.7	116.56	96.05	102.66	106.03	+0.0	2.49	120.68	119.08	95.59	102.68	105.07	146.91	115.99	145.75
World Ex. UK (1970)	135.99	+0.1	130.45	107.50	114.90	123.26	−0.1	2.45	135.89	134.09	107.64	115.63	123.32	150.58	127.21	149.80
World Ex. So. Af. (2136)	139.51	+0.3	133.83	110.29	117.87	126.93	−0.1	2.65	139.11	137.27	110.19	118.37	127.10	153.05	130.04	152.22
World Ex. Japan (1724)	159.36	+0.5	152.87	125.98	134.65	153.45	+0.0	3.21	158.57	156.47	125.60	134.93	153.43	165.40	151.93	161.57
The World Index (2196)	139.43	+0.3	133.75	110.22	117.80	127.24	−0.1	2.66	139.04	137.19	110.13	118.30	127.40	153.70	130.66	152.88

Latest prices were unavailable for this edition.